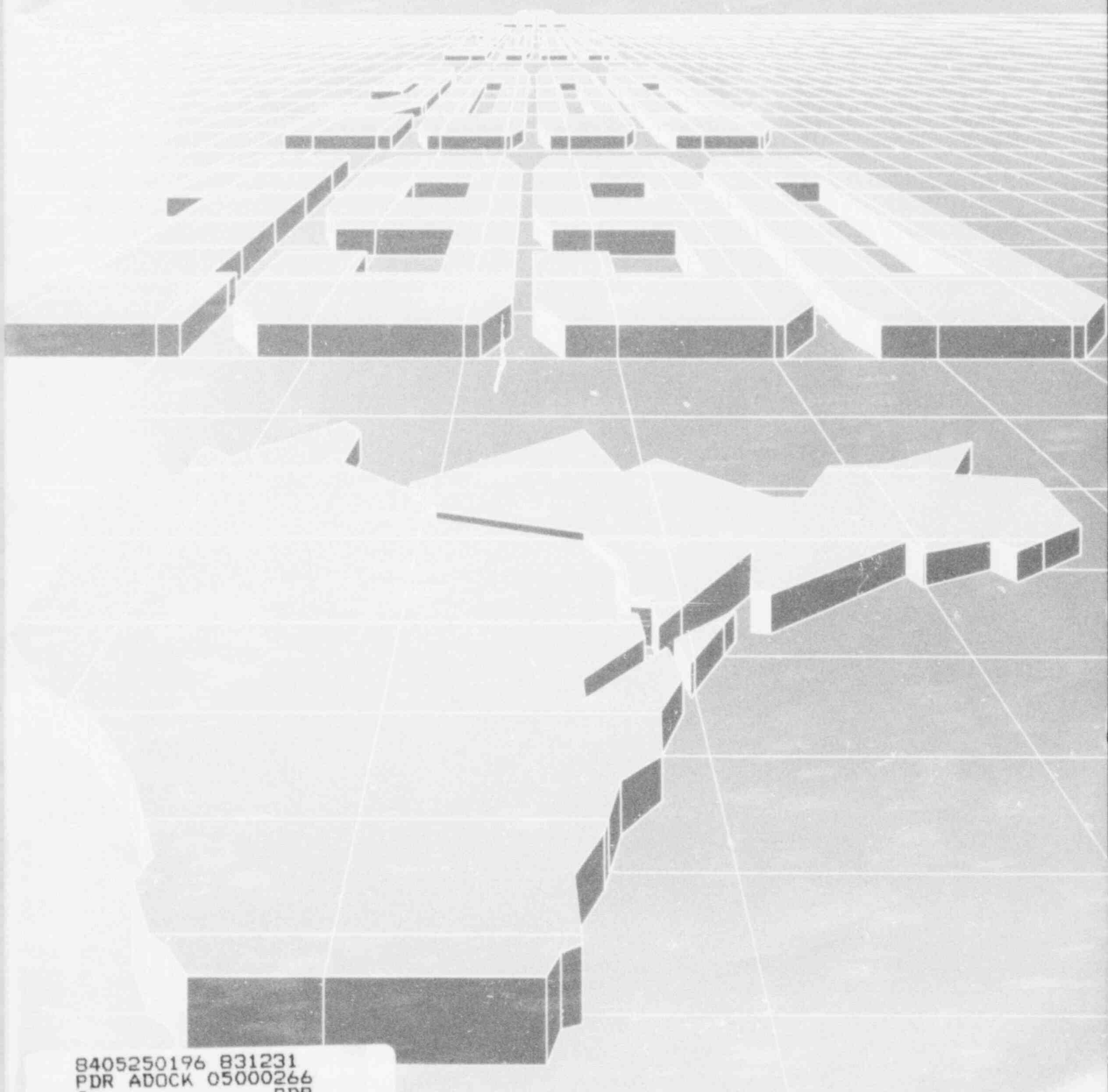
6019A
Encl 1-44

Wisconsin Electric Power Company

ANNUAL REPORT 1983



Energy in Transition

The past 10 years have been a time of transition for the electric and gas utility industry. In the years following the Oil Embargo, the economics of the electric utility business turned completely around. No longer was bigger necessarily better, nor was unrestricted growth the best course for utilities. The old rules had changed.

Our nation's concern with energy, the environment and consumer issues in the 1970s had a significant effect on utility companies. Changing lifestyles and a recession slowed the demand for service. And the cost of doing business, fueled by high inflation, increased sharply.

Wisconsin Electric moved quickly to incorporate these new realities into our business philosophy. We established programs to control peak demand for electricity and pioneered in load management efforts. We aggressively promoted conservation and took the lead in establishing innovative time-of-use electric rates in an effort to reduce the need for expensive new power plants.

It was a time of change and those years were difficult ones.

Today, the decade of transition following the Oil Embargo is complete. Our program to control peak electric demand has been successful, reducing our power plant construction for the 1980s by $1.5 billion. The result has been increased earnings for stockholders and lower rates for customers.

The period between now and the year 2000 will again be one of transition for Wisconsin Electric. With the major part of our construction program behind us, we look forward to stability in financial matters and energy rates. We believe it will be a time to try new ideas, perfect the innovative methods developed in the past decade, work to further improve customer service and help develop the communities we serve.

The future is already being addressed at Wisconsin Electric, and our efforts are embodied in the theme of this annual report, *Energy in Transition*.

Annual Meeting

The annual meeting of Wisconsin Electric Power Co. stockholders will be held at 2 p.m. on May 9, 1984 at the Red Carpet Hotel, 4747 S. Howell Ave., Milwaukee, Wis. In order to ensure your participation in the annual meeting, we encourage you to vote, sign and return your proxy promptly.

Highlights

	1983	1982	Per Cent Increase (Decrease)
Earnings per Share of Common Stock	**$3.97**	$3.60	10.3
Dividends per Share of Common Stock	**$2.06**	$1.902	8.3
Total Operating Revenues	**$1,417,564,000**	$1,302,910,000	8.8
Earnings Available for Common Stockholders	**$ 134,870,000**	$ 116,558,000	15.7
Average Number of Common Shares Outstanding	**33,939,000**	32,402,000	4.7
Electric Sales to Retail, Municipal and Cooperative Customers (thousand KWH)	**17,629,418**	17,059,317	3.3
Gas Sales (thousand therms)	**609,013**	632,326	(3.7)
Retail, Municipal and Cooperative Customers (year-end)			
Electric	**822,112**	818,843	0.4
Gas	**221,197**	217,983	1.5

Report to Stockholders

By just about every measure, 1983 was another year of sound progress for Wisconsin Electric Power Co. The company's financial performance was strong as revenues, earnings and dividends all increased, while at the same time the market price of our common stock continued to climb.

Revenues in 1983 were up 9 percent over 1982, and earnings per share of common stock rose from $3.60 a share in 1982 to $3.97 in 1983. It was the third year in a row of solid earnings improvement.

Common stock dividend payments were increased for the 23rd consecutive year, from $1.90 a share in 1982 to $2.06 in 1983. Common dividend payments have risen 40 percent in the past five years.

It has long been management's belief that investors should carefully examine both a utility's performance and basic financial strengths. All utilities are not alike, and differences in management philosophy, construction needs, long-term strategy and regulatory environment should be evaluated carefully.

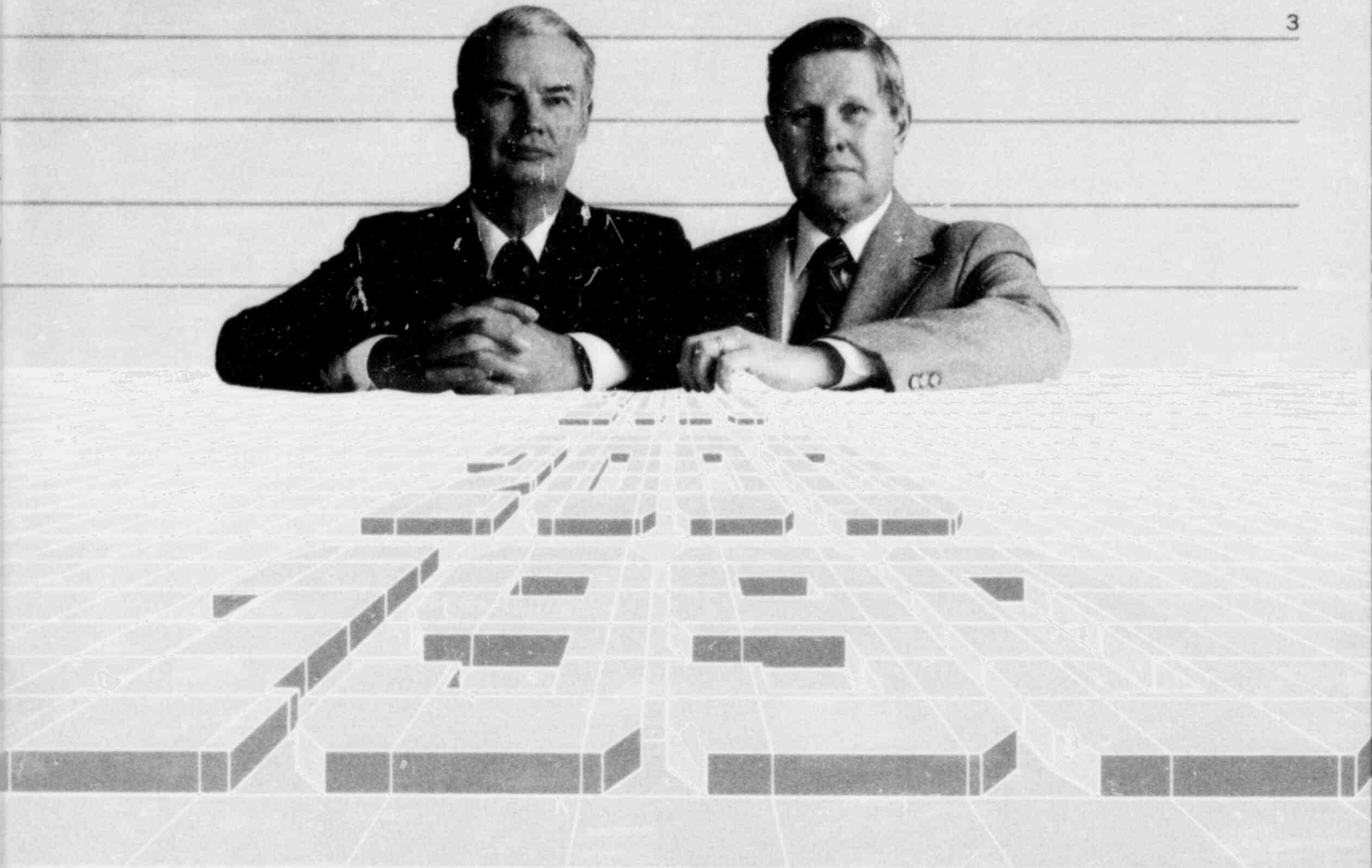
In the utility business today, we believe it is important to maintain the flexibility to change as circumstances change. That concept is part of Wisconsin Electric's conservative approach to financial and accounting matters, and our innovative load management, conservation and rate programs.

Wisconsin Electric is recognized as one of the nation's leading utilities, a position that was enhanced in early 1984 with the announcement by Moody's Investor Service that the company's first mortgage bonds had been upgraded to a Triple-A rating.

The manageable size of our construction program is one of the factors which sets Wisconsin Electric apart from most of the nation's utilities and enhances the company's future prospects. Similarly, the favorable fuel mix used to generate electricity has allowed Wisconsin Electric to keep rates among the lowest of the nation's major metropolitan areas.

Last year 96 percent of the electricity generated by the company came from coal and nuclear plants, with higher priced oil and natural gas used only at times of peak demand. We expect to continue to rely on this favorable generation mix.

It is noteworthy that, along with our outstanding financial performance, Wisconsin Electric was able



to reduce electric rates in 1984 for the first time in 18 years. Because of the moderate size of our construction program and lower inflation, we expect both gas and electric rates to remain relatively stable during the next few years.

Among other highlights of 1983 were:

- Our efforts to form a holding company, which we believe will be beneficial to stockholders and customers alike, gained momentum in 1983 and will continue in 1984.
- In its first year, our economic development program—"Wisconsin Business Is In a Fine State"—succeeded in creating or retaining more than 1,500 service area jobs.
- Wisconsin Electric's industry leadership in consumer matters was reaffirmed in 1983 with the introduction of several new energy assistance programs for low-income families, older adults and customers with disabilities.
- We launched a new series of programs aimed at helping customers make more efficient use of energy.

Because of our pragmatic approach, we enter the new era of *Energy in Transition* financially healthy and optimistic about the future.

While energy production will always be the foundation of our business, the needs and expectations of society demand a greater dimension for the successful utility in the years ahead. We will continue to pioneer and expand energy services to customers. We will capitalize on our inherent technological expertise and marketing capabilities in the field of energy. We will continue to improve our operations for the benefit of stockholders, customers and the communities we serve.

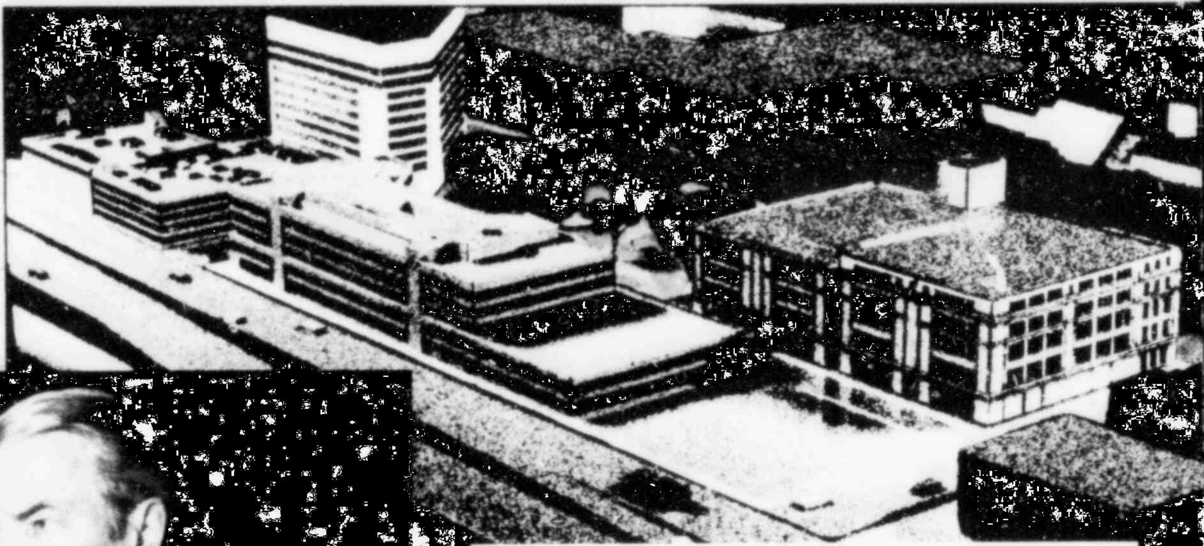
We face the future with confidence, believing we can contribute to, and benefit from, the years of *Energy in Transition*.

Charles S. McNeer
Chairman of the Board and
Chief Executive Officer

Russell W. Britt
President and
Chief Operating Officer

March 16, 1984

Looking to the Future



WEPCo Cuts Electric Rates

Wisconsin Electric moved forward on many fronts in 1983 to develop new strategies and programs necessary to operate successfully in the changing energy climate of the future.

Our load control programs and innovative rate structure—strategies considered controversial when they were first introduced—have been highly successful, contributing significantly to the company's performance in the past few years.

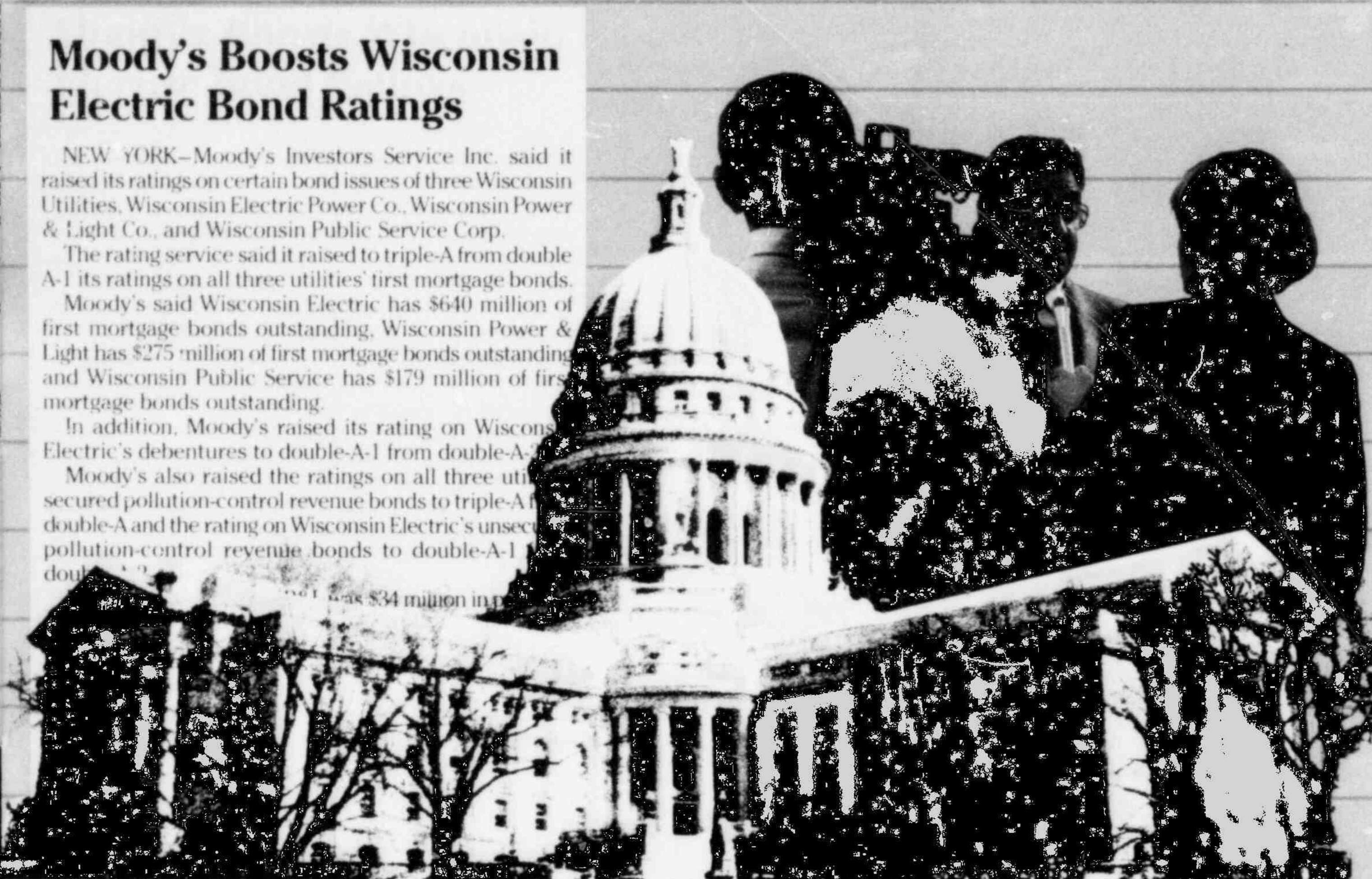
Now we are proposing another element in our plan to move forward in the new era of *Energy in Transition*. In 1983, we filed a restructuring plan with the Public Service Commission of Wisconsin which would establish a new holding company with non-utility subsidiaries. This organization holds great promise for the company's future development and success.

The proposed holding company would become the parent company of Wisconsin Electric and its present subsidiaries, Wisconsin Natural Gas Co. and Badger Service Co. In addition three non utility subsidiaries would be ready to move ahead with investments to help keep businesses in our service area, with production and marketing of new technologies developed in Wisconsin, and with commercial and industrial development parks near company installations.

These powerful concepts comprise an idea we believe will provide a strong boost to our service area's drive for economic recovery.

The holding company formation would benefit stockholders, customers and the entire area we serve. Stockholders would have an opportunity for an improved return on their investment, and the people in our area would benefit from businesses and jobs created by the non-utility subsidiaries. In addition, state and local governments would benefit from taxes paid by new or expanding firms.

Legislation to permit utility holding companies fell one vote short of floor action during a special session of the Wisconsin Legislature in October 1983. It is encouraging that the plan continues to receive



broad support, including backing of the governor, lieutenant governor, leaders of both political parties in both houses of the legislature, PSCW commissioners and major newspapers and television stations. If acceptable approvals are received, stockholders will have a chance to vote on the holding company idea before we proceed with the restructuring plan.

Another initiative that came to fruition for our Wisconsin retail customers at the beginning of 1984 was an electric rate *decrease*. Cost cutting efforts, lower than expected inflation and an improved economy made the $19 million reduction possible. Even with this rate decrease, the company's financial position remains strong, which will allow us to continue our program of steady and increasing dividends to stockholders.

With the price reduction, Wisconsin Electric's already low rates will compare even more favorably with other areas of the country where many utilities have major rate requests pending. This factor is expected to further improve our ability to attract and retain business through our economic development program.

Stringent cost controls have also been effective at Wisconsin Natural. Despite price increases from the pipeline supplier, only three rate increases were necessary since 1976 to cover other operating expenses. A request for a modest increase in gas rates for 1984 has been filed with the PSCW and a decision is expected later this year.

In another project aimed at improving operating efficiency, construction began in December on an annex and parking structure adjacent to our headquarters office in Milwaukee. The 415,000 square-foot addition will allow consolidation of the 1,800 employes now located in six downtown buildings. Completion of the project is planned for 1986. The company's existing corporate office building was completed in 1905.

Economic Development

The task of rejuvenating a sluggish economy in Wisconsin and the Upper Peninsula of Michigan has presented a major challenge for business, government and labor leaders.

Responding to that challenge, Wisconsin Electric launched an expanded economic development effort in late 1982 with the theme, "Wisconsin Business Is in a Fine State." We also took the lead in a similar activity in our Upper Michigan service area.

The Wisconsin campaign stresses the positive changes made in the state's tax laws in the 1970s, highlights Wisconsin's higher-than-average labor productivity and cites the advantages of working and living in the Midwest's vacationland. In Upper Michigan, our economic development staff is working closely with service area groups to attract businesses related to the forest products industry. A major effort has been directed toward trade with Scandinavian countries.

In both Wisconsin and Michigan, we are able to point to ample, low-cost energy. Our industrial electric rates are lower than surrounding states and more than competitive with the Sun Belt. Our residential electric rates are among the lowest of the country's largest metropolitan areas, and we expect to see an even greater advantage in electric rates in the years ahead.

Advertising in regional and national publications has led to more than 450 contacts from firms considering expansion or relocation of their business operations. These contacts have resulted in a number of new businesses in our service area.

These successes didn't just happen. They followed intensive efforts by Wisconsin Electric,

along with local development officials, business organizations, colleges and universities, and other utilities.

We are working closely with the Southeastern Wisconsin Regional Planning Commission to develop community and regional profiles, and analyze the need for additional industrial sites in the region.

These studies include recommended sites for future industrial parks, such as one in the planning stage adjacent to our Pleasant Prairie Power Plant in Kenosha County. Land is being acquired at this site which will allow the company to provide steam or heat to new industrial firms and improve the power plant's efficiency.

Another cooperative venture is taking place in the Appleton area next to the Fox Valley Technical Institute, where a land-use plan for an industrial park is being developed by representatives of Wisconsin Electric, local businesses, the Fox Cities Chamber of Commerce and Industry and FVTI.

The land-use plan will include a research and development center, an "incubator" mall for small businesses, training headquarters for industries and a demonstration marketing center.

The success of our company is tied closely to the economic health of Wisconsin and the Upper Peninsula of Michigan. We are pleased to be a part of a large cooperative effort involving business, labor, government and education to bring more business to the area we serve.

Energy Operations

Plentiful supplies of energy were available for Wisconsin Electric and Wisconsin Natural customers in 1983, and we anticipate no change in that outlook for the future.

Extremely hot weather during the summer climaxed with a 99 degree reading in Milwaukee July 21. That day brought a record system demand for electricity of 3,555,000 kilowatts, surpassing the previous record of 3,452,000 kilowatts established in 1977.

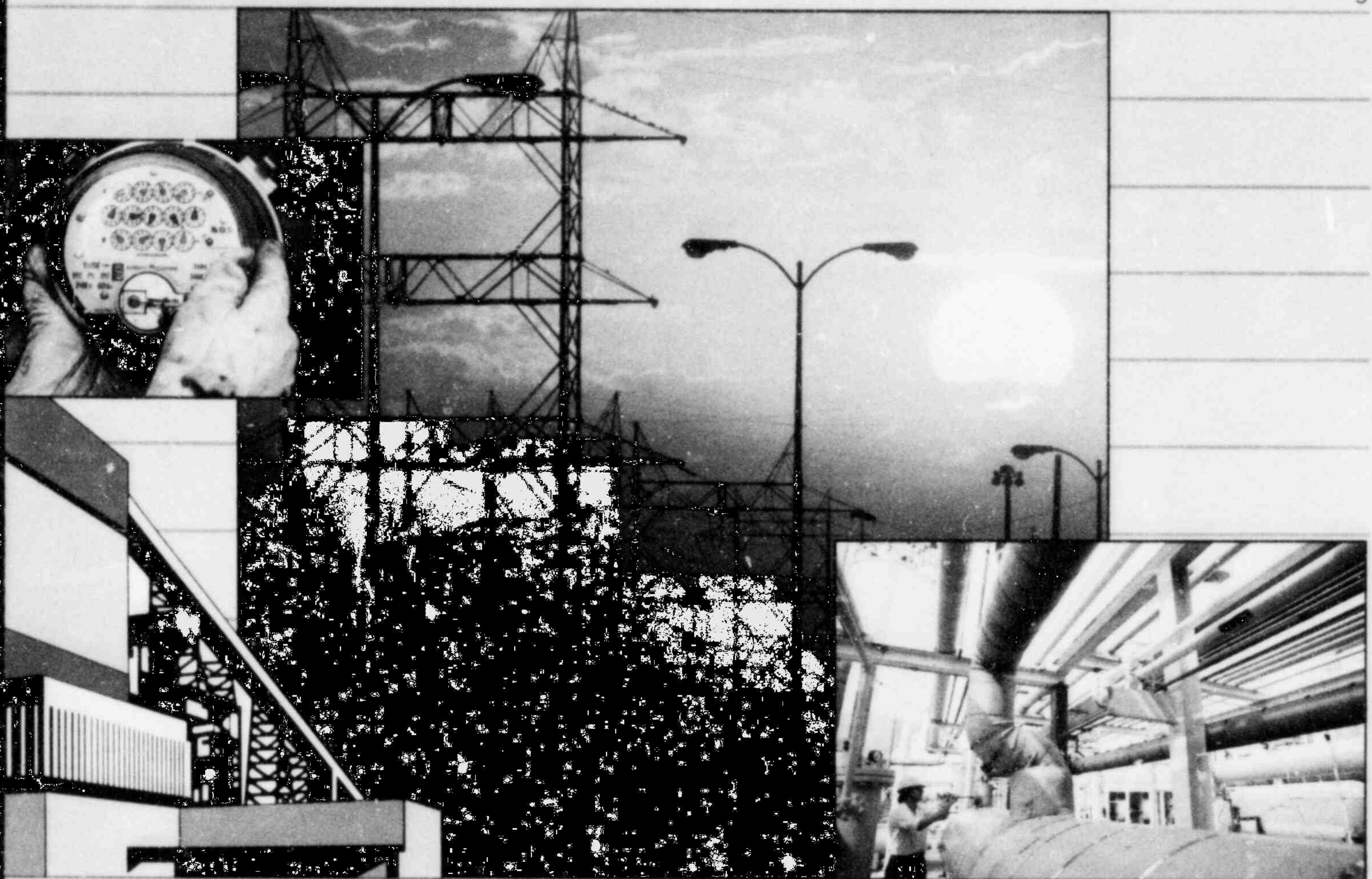
Similarly, unseasonably cold weather in December 1983 led to near record demand for natural gas from our subsidiary, Wisconsin Natural Gas Co. All firm customer demands were met without curtailment of service.

Electric load control programs played an important role during the summer heat wave. One program, which allows us to remotely and selectively turn off customers' water heaters for short periods, was utilized throughout the year to control peaks in electricity demand. Almost 92,000 of these control units have been installed on the water heaters of residential and farm customers. Participation in this load control program is voluntary and those who take part receive a monthly credit on their electric bills.

Another important facet of load management is a time-of-use pricing structure which encourages the shifting of energy use to off-peak time. More than half of the electricity sold by the company in 1983 was billed on time-of-use rates.

Combined with customer conservation, load control programs have been successful in reducing the need for expensive new power plants. By deferring the costs of financing and building these plants, stockholders benefit because lower costs maintain the financial strength of the company and improve earnings potential. Customers also benefit because rates can be held at lower levels.

As a result of these programs to control growth in peak use of electricity, demand on the WE System is expected to increase at a modest rate of about 2 percent a year for the remainder of the century. The only additional power plant units



planned for operation before the late 1990s are the 580,000-kilowatt Unit 2 at our Pleasant Prairie Power Plant and a 25 percent share of a 380,000-kilowatt facility being built by another utility. Both are scheduled to begin producing electricity in 1985.

With these two units on line, more than half of our generating capability will be less than 15 years old. We plan to continue to use coal and uranium—our most economical and available fuels—for more than 95 percent of our generating output during the next 20 years.

To improve our nuclear generation, new steam generators are being installed in Unit 1 at the Point Beach Nuclear Plant. The equipment will correct a corrosion problem that has limited the unit to 75 percent of its capacity. When the unit is returned to operation at full capacity in spring of 1984, it will provide an additional 900 million kilowatt-hours of low-cost electricity annually for WE customers and a rapid pay-back on the added investment.

Earlier in 1983, the company completed successful repair of a portion of the steam generator tubes in Unit 2 at Point Beach, where corrosion has been less severe. Unit 2 was cited during the year as the nation's most reliable nuclear unit over the previous three years. The tube repair should ensure that the unit maintains its outstanding operating record.

East Wells Power Plant, which was retired at the end of 1982, has been donated to the Milwaukee Repertory Theater-Milwaukee Redevelopment Corp. joint venture to be the cornerstone of a newly formed theater district in downtown Milwaukee. East Wells is a national engineering landmark where the use of pulverized coal was successfully tested in 1919.

Another pioneer of the electric utility industry, the 310,000-kilowatt Lakeside Power Plant, was retired in the autumn of 1983. When it began operation in 1921, Lakeside was called the world's power plant laboratory because of the many innovations it pioneered. It was the first power plant in the world to burn pulverized coal exclusively.

Customer Services

Our responsibility as a good corporate citizen goes hand in hand with our responsibility as an energy supplier. While our first and foremost goal is to provide dependable energy services at reasonable prices, we also feel a strong commitment to be good neighbors to those we serve. Our companies continue to develop innovative programs to improve service to our customers.

During 1983, Wisconsin Electric launched the Good Neighbor Energy Program which provides specialized company services for older adults, customers with disabilities and customers experiencing financial difficulties. The program includes:

- The Good Neighbor Energy Fund for customers with energy bill problems.
- Assignment of a company liaison for customers enrolled in the Good Neighbor Energy Program. Older adults and customers with disabilities are referred to a company employe who becomes a personal energy advisor to provide help with energy-related questions or concerns.
- A telecommunications device for hearing impaired customers. They may obtain billing service and customer information from Wisconsin Electric by using telephone teletype equipment in their homes or at social service agencies to communicate with the company. The service makes communication easier for the thousands of hearing-impaired customers in our service territory.

Wisconsin Electric was among 74 utilities recognized in 1983 for establishing privately funded programs to help low income and elderly customers pay their energy bills. Charles McNeer, chairman of the board, was one of six utility executives who described their programs at a White House ceremony in Washington D.C. in late 1983.

The Wisconsin Electric Good Neighbor Fund began in February 1983 with a $100,000 company contribution. The fund grew to $268,000 with pledges from 12,000 customers and 1,200 employes. Designated community organizations identify people in need and administer the distribution of assistance.

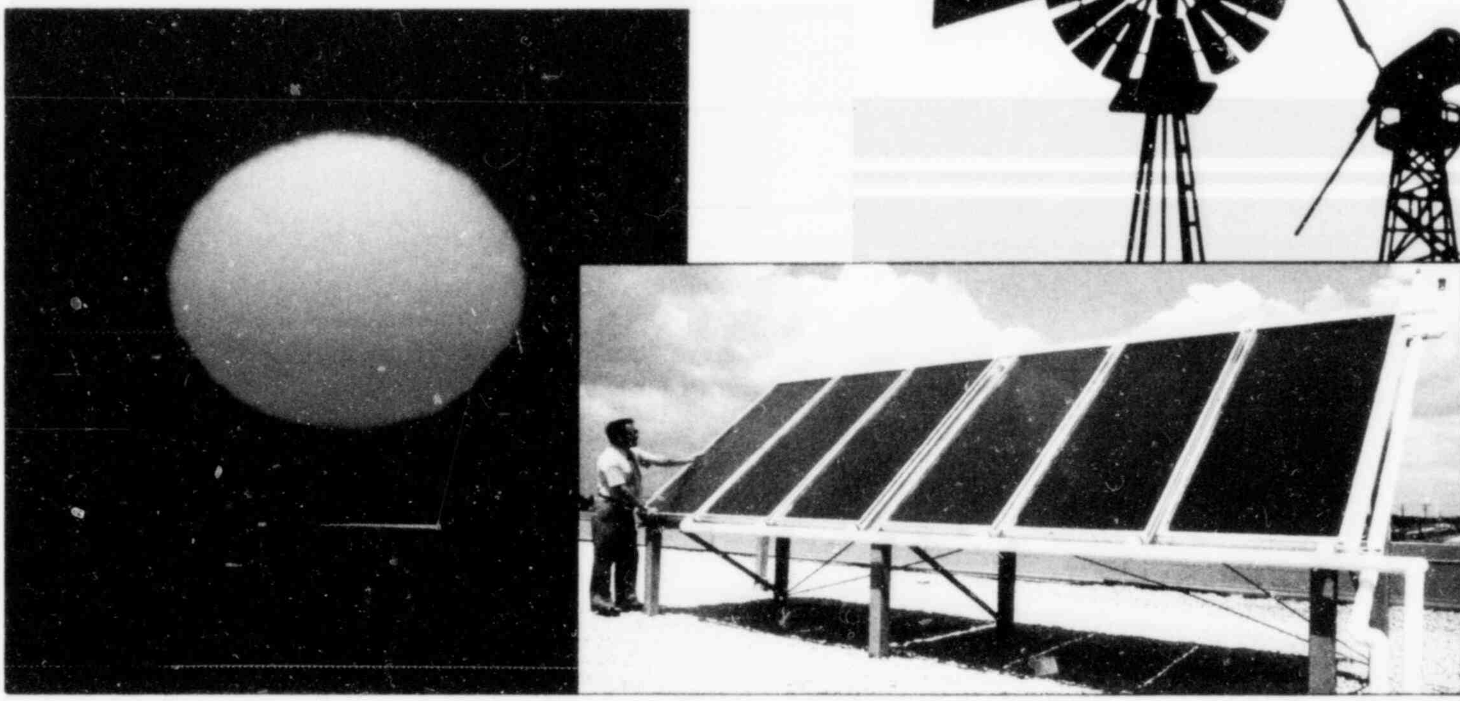
Dialogue between the company and its customers continued in 1983 through our Consumer Advisory Council. Council members and company officials meet monthly to exchange views and discuss energy-related issues. The 19-member council represents a wide range of consumer groups, including labor, commercial and industrial consumers, minority groups, farmers, elderly, handicapped, education, environmental and advocacy organizations.

Energy conservation continues to be an important element in helping customers use our services effectively. During 1983, Wisconsin Electric and Wisconsin Natural energy specialists conducted a total of 26,400 home energy checkups to bring to more than 100,000 the number of surveys performed since the program began six years ago.

Energy checkup specialists make recommendations on insulation, storm windows and doors, weatherstripping, caulking, thermostat settings, timing devices and appliance efficiency.

Other company programs include the Energy Facts Phone featuring conservation messages, weatherization services, a "Wrap-up, Seal-up" program for electric water heating customers, and promotion of energy conservation through media advertising, booklets and community presentations.

Energy Management



As Wisconsin Electric moves forward in an era of modest load growth, we are looking beyond our load management and conservation programs which have been instrumental in controlling the peak demand for electricity. Wisconsin Electric and Wisconsin Natural are committed to conservation and the wise use of energy. We are, however, pursuing creative programs designed to retain our natural gas loads and encourage selective use of electric equipment which will reduce customers' total energy bills.

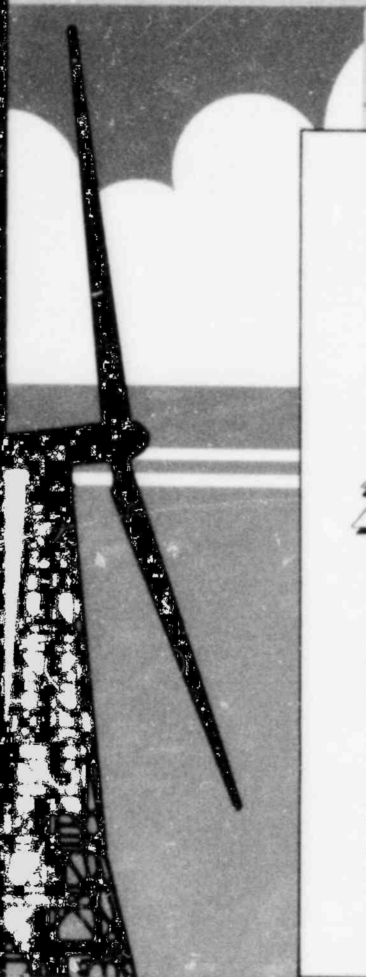
Activities have been started that will give customers cost-saving alternatives in heating and cooling, and at the same time make more efficient use of our generating capacity and improve revenues.

A pilot program to encourage the installation of dual-fuel heating systems was made available to our customers in Wisconsin's Fox Valley area in 1983. The program was initiated to reduce customers' total annual heating costs and to reduce dependence upon limited oil and LP gas supplies. Energy cost savings of up to 33 percent have been realized by customers using electric coil heaters, along with existing oil or LP gas furnaces, during periods when lower cost time-of-use rates are in effect. This program is expected to be extended to other parts of our service area in 1984.

Wisconsin Electric also is cooperating with equipment distributors to promote the use of electric heat pumps which provide air conditioning in summer and lower cost heating in winter.

WE research on heat pumps in the Wisconsin area shows that annual savings range between \$50 to \$150 depending on the type of fuel replaced and the size of the home. It is expected that even greater savings will result as the cost of home heating fuel rises.

Conservation is the key word in Wisconsin Natural's program to promote high-efficiency gas appliances. Through educational sessions with dealers and customers, WN representatives point out the advantages of these energy-saving appliances which give more value to the customer while retaining natural gas sales for the company.



A comprehensive residential electric rate study began in September 1983, which will measure the impact of 11 different rates. The two-year study involves approximately 1,400 participants, chosen randomly from among WE's more than 740,000 residential customers. Customer groups are carefully monitored to determine what effect different rate structures have on electricity use. The study is also measuring how company communications influence customer energy use.

The concept for the rate design study originated with WE's Consumer Advisory Council, whose members represent a wide range of consumer interests.

Wisconsin Electric also is involved in research on alternative energy systems. Four wind generators and three photovoltaic systems have been installed and are now operating adjacent to company facilities. Equipment from various manufacturers is being used to demonstrate the feasibility of wind and solar power under varying conditions. The data collected from these installations is shared with customers and utility research groups.

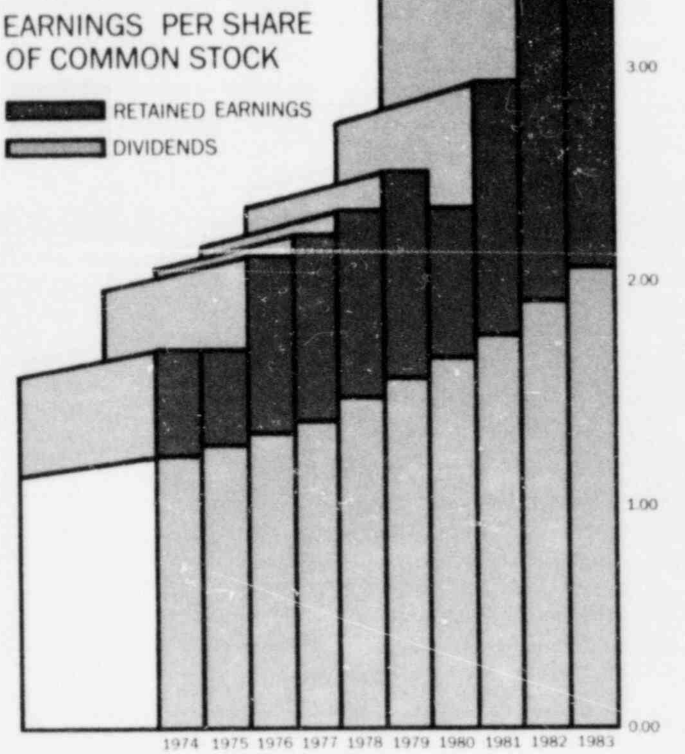
Alternate fuels for vehicles are being tested by both Wisconsin Electric and Wisconsin Natural. WE is studying whether developments in electric vehicles have made their use practical in Wisconsin's winter driving conditions and traffic.

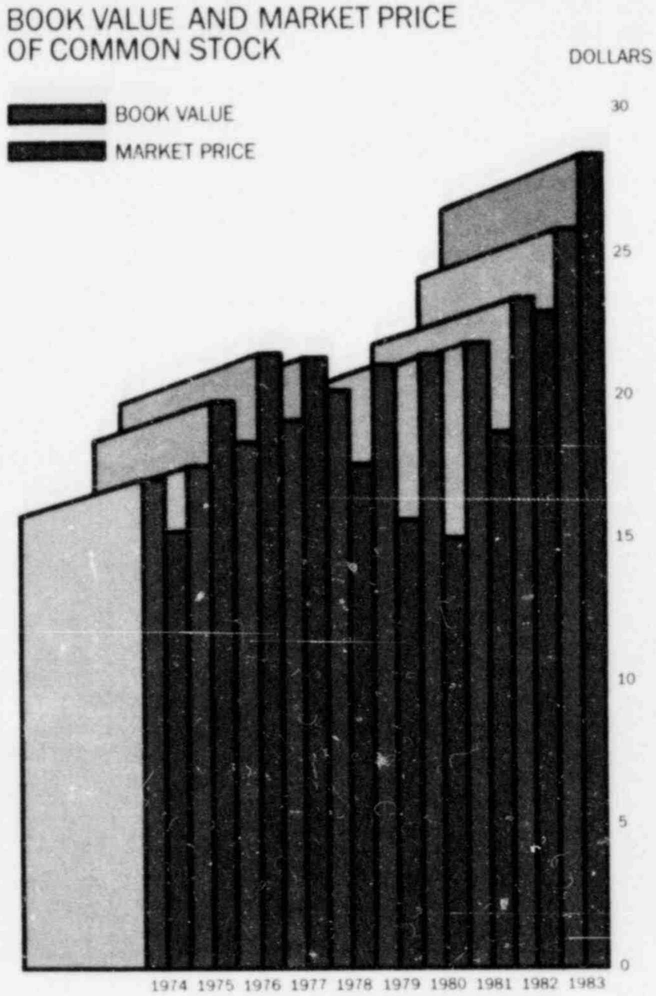
Wisconsin Natural is testing vehicles running 90 percent of the time on compressed natural gas. Fuel efficiency, maintenance requirements and engine exhaust emissions are being checked. A successful test of the system could lead to conversion of many of the WN vehicles in the near future.

Wisconsin Electric is part of a consortium of 30 utilities which is funding the research of a newly formed company called the Electric Vehicle Development Corp., headquartered in suburban Milwaukee. A company vice president, John McLean, retired at the end of 1983 to become president of this organization. The firm hopes to bring electric vehicles into commercial production by the end of the 1980s.

Management's Discussion

and Analysis of Financial Condition and Results of Operations





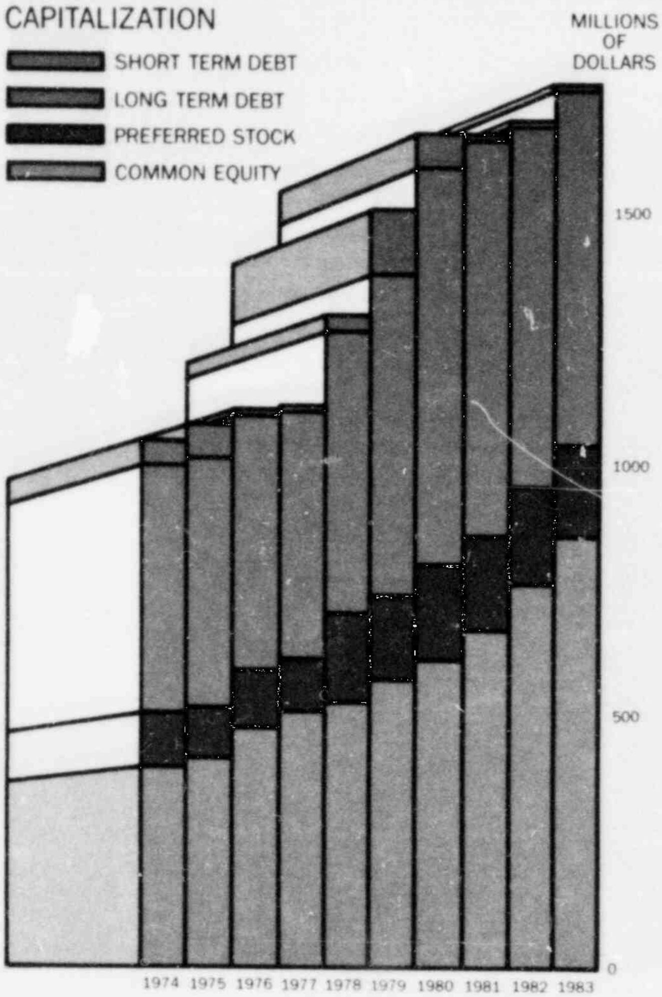
Results of Operations

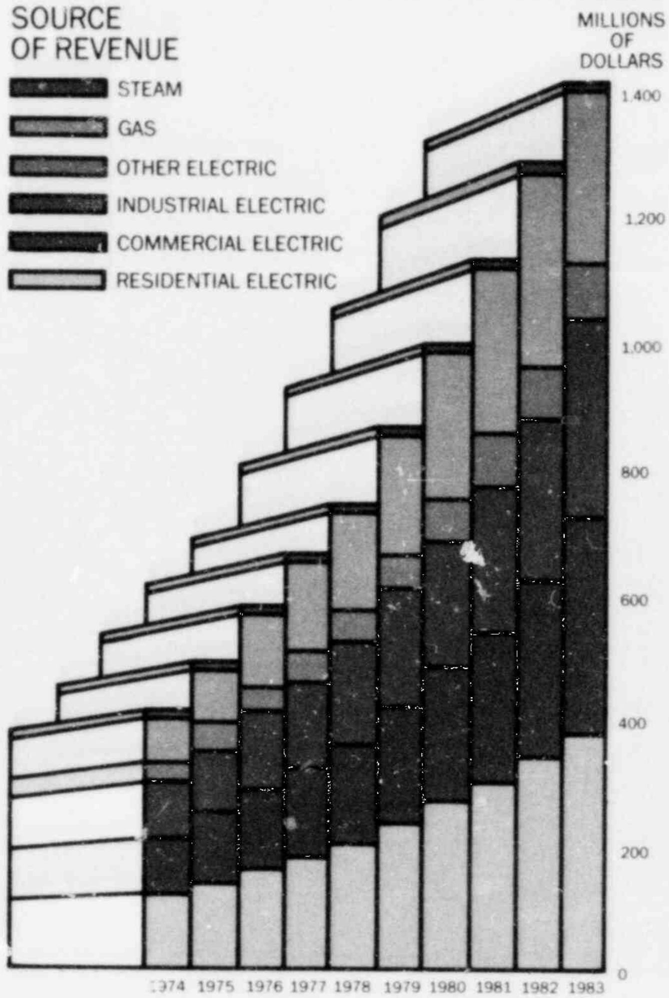
Earnings per share of common stock increased to $3.97 in 1983 from $3.60 in 1982, due principally to increased revenue and continued close control of operating expenses. Rate increases totaling $38 million, on an annual basis, were granted in 1983. The company estimates that of this amount approximately 87 percent, or $33 million, was included in 1983 revenues. This high percentage reflects the fact that the company's major rate orders have been issued by the Public Service Commission of Wisconsin near the beginning of the electric and gas test years, substantially reducing regulatory lag.

Electric sales to retail and municipal customers increased by 3.3 percent in 1983 from 1982, principally the result of unusually hot summer weather and improving economic activity in the company's service area. Despite abnormally cold weather in December 1983, gas therm sales declined by 3.7 percent from 1982 levels, primarily because of the mild weather at the beginning of 1983 and continued conservation by customers. Electric kilowatt-hour sales to large commercial and industrial customers increased 2.8 percent in 1983 over 1982. Gas therm sales to large commercial and industrial customers declined 1 percent.

For the three years ended Dec. 31, 1983, sales of electricity increased at a compound annual rate of three-tenths of 1 percent, while the cost of fuel and purchased power grew at a compound annual rate of 6 percent. Other electric operating expenses, excluding income taxes and straight line depreciation, increased at a compound annual rate of 11.6 percent. General rate increases accounted for approximately 80 percent of the increase in electric revenues during this period. The balance primarily reflects the recovery of increases in fuel and purchased power costs. Legislation enacted in Wisconsin, applicable to electric utilities, will result in the elimination of the existing Wisconsin retail electric fuel and purchased power adjustment clause, effective with the company's next rate order. In the future, projected changes in the cost of fuel and purchased power will be included in base rates.

Over the same three-year period, gas therm





sales decreased 12.2 percent, while the cost of gas purchased for resale grew at a compound annual rate of 11.4 percent. Other gas operating expenses, excluding income taxes and straight line depreciation, increased at a compound annual rate of 13.6 percent. The increase in the cost of purchased gas is due primarily to the higher cost of natural gas from the company's pipeline supplier. Virtually all of the increase in the cost of gas purchased for resale was recovered through gas adjustment clauses. This recovery accounted for approximately 80 percent of the increase in gas revenues during the period. The balance primarily reflects rate increases, which offset lower therm sales.

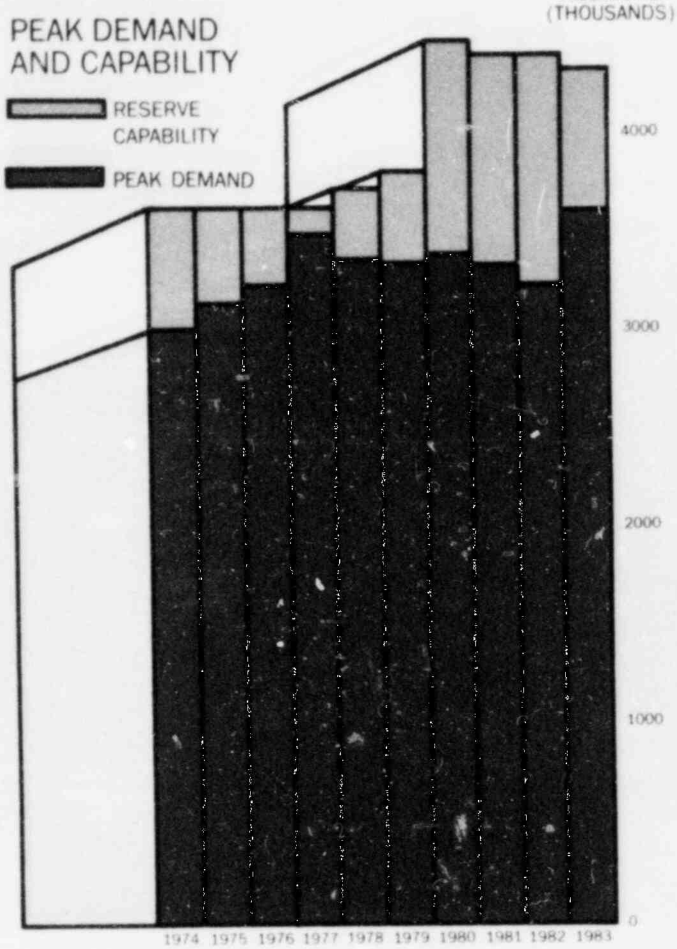
Changes in the relative cost of natural gas and fuel oil may result in erosion of gas sales to large commercial and industrial customers, if some of those customers with alternate fuel capabilities switch to fuel oil. A special rate has been established in order to attempt to retain such large-volume customers.

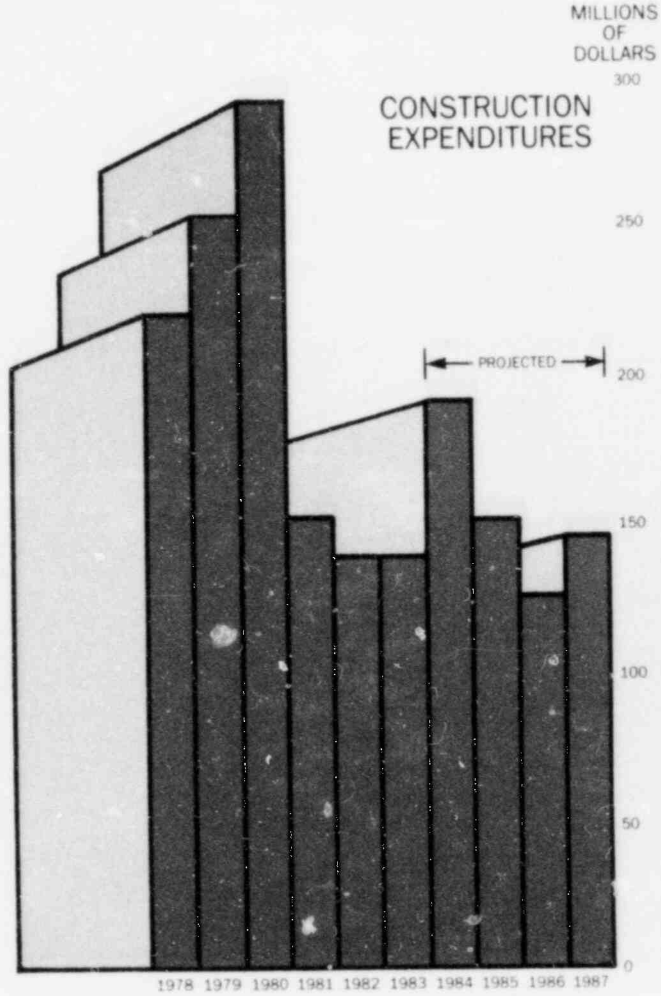
Assuming a further improvement in the economy, the company expects that sales of electricity will grow at a compound annual rate of approximately 2 percent over the four years ending Dec. 31, 1987. That rate assumes continued conservation by customers, a practice endorsed by the company. The company expects that therm sales of natural gas over the next four years will grow at a compound annual rate of 1 percent.

On Dec. 22, 1983 the PSCW approved a rate decrease of approximately 2 percent for the company's Wisconsin retail electric customers, based on a 1984 test year effective Jan. 1, 1984. The company may from time to time request rate increases to meet rising costs for materials, taxes, wages and capital and to recover costs of fuel, purchased power and purchased gas. For supplementary information concerning the effects of inflation, see Note N to the Financial Statements.

Liquidity and Capital Resources

The company's capital requirements for the three years ended Dec. 31, 1983 totaled $701 million. Sixty-two percent of this amount was for construction of new or improved facilities, 11 percent for acquisition of nuclear fuel, 10 percent



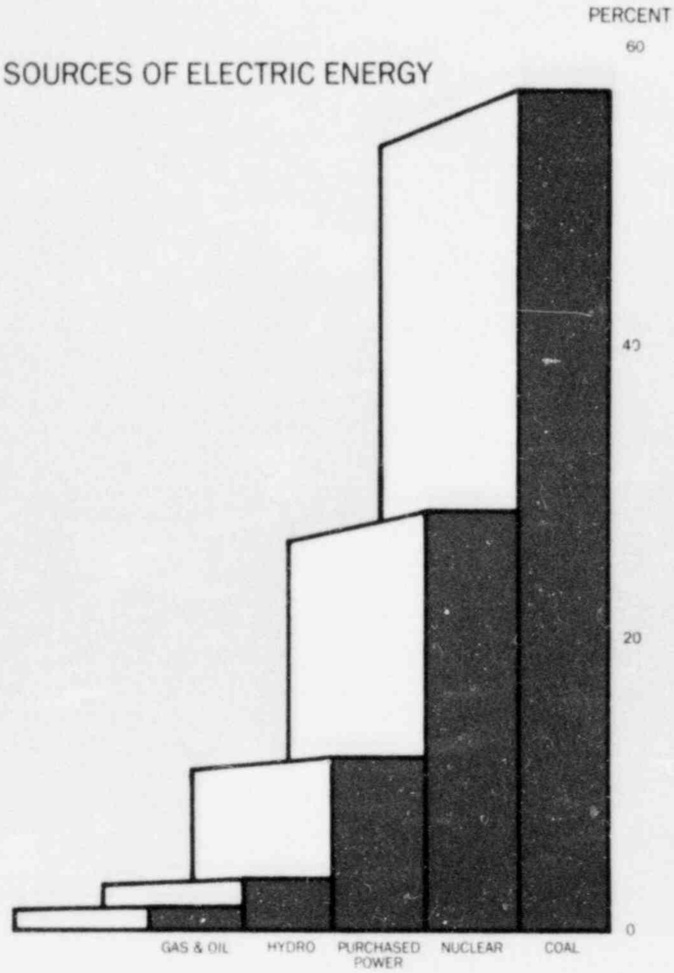


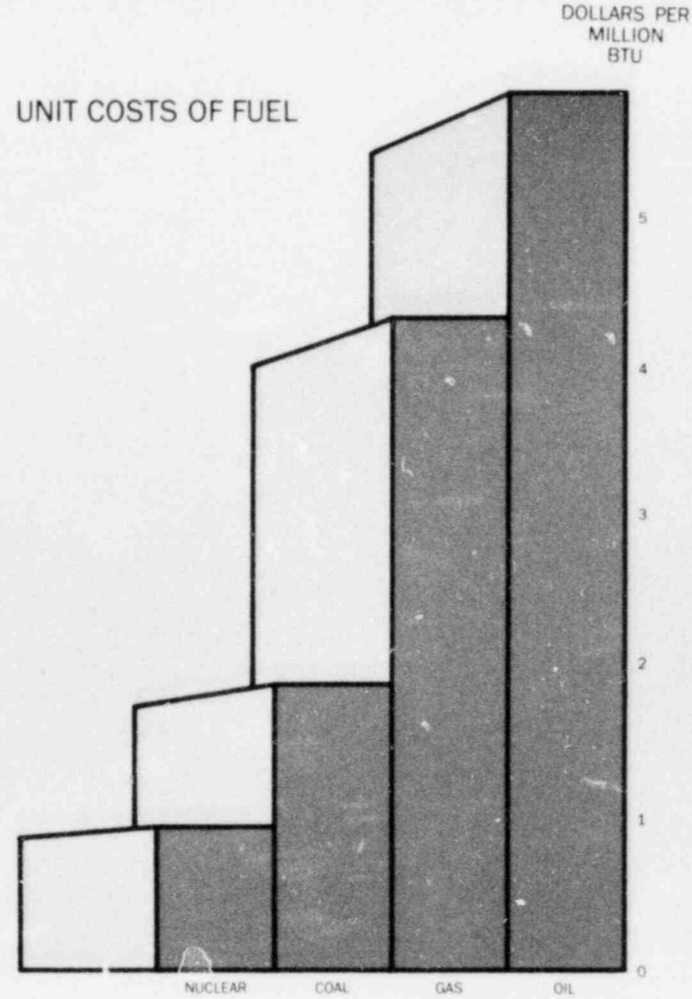
for reduction of short-term debt, 10 percent for retirement of long-term debt, and 7 percent for increases in working capital. The company acquired $536 million, or approximately three-fourths, of its capital requirements during this period through internal sources of cash. Such internal sources of cash primarily consisted of depreciation accruals, normalization of investment tax credits and retained earnings. The remaining $165 million was supplied principally through the issue of $84 million of additional common stock and the sale and leaseback of $78 million of nuclear fuel. All sales of additional common stock during the period were made through either the company's Automatic Dividend Reinvestment and Stock Purchase Plan or its Tax Reduction Act Stock Ownership Plan.

At Dec. 31, 1983, the company's capitalization consisted of 40 percent long-term debt, 10 percent preferred stock and 50 percent common equity. The company's short-term indebtedness at Dec. 31, 1983 consisted of $5 million of notes payable and $43 million of long-term debt due within 12 months. Leased nuclear fuel and short-term debt was less than 4 percent and 3 percent, respectively, of capitalization. The company also had $89 million of short-term investments and $100 million in lines of bank credit available at the end of the year, which could be used to finance a portion of the company's anticipated capital requirements.

The company has a nuclear fuel lease with a trust which issues commercial paper backed by a line of revolving bank credit of $75 million. The line of revolving bank credit would be generally available to finance the trust's ownership of the nuclear fuel for a period of three years if the trust were unable to sell its commercial paper. The company is in effect the ultimate guarantor of the commercial paper and the revolving bank credit. At Dec. 31, 1983, the trust had $63 million of commercial paper outstanding.

The company estimates that for the four years 1984 through 1987 its capital requirements will total $886 million, of which 69 percent will be required for construction expenditures. Construction expenditures are primarily for improvements to existing power plants, for additions to and replacement of portions of the distribution and transmission systems, for new service centers and for





other buildings and equipment. Estimated construction expenditures for new power plants during this period include $48 million for completion of the 580-megawatt Unit 2 at Pleasant Prairie Power Plant and $15 million for the company's 25 percent interest in the 380-megawatt Edgewater Power Plant Unit 5 which is being constructed by Wisconsin Power and Light Co. In addition, approximately $48 million will be required for the expansion of the company's corporate headquarters and related parking structure. This project is expected to be completed in 1986. The balance of capital requirements during this period is principally for sinking funds and maturities of long-term debt, and acquisition of fuel supplies.

The company expects to provide 84 percent of its capital requirements during the four years ending Dec. 31, 1987 through internal sources. The remaining 16 percent of the company's capital requirements during this period are expected to be met principally through a combination of the sale of nuclear fuel and through short-term borrowings. During this four-year period, the company does not anticipate receiving any proceeds from the sale of common stock through its stock plans. Stock required for the operation of these plans will, in ordinary course, be purchased by the trustees of the plans on the open market. No common stock financings are planned during this period.

Beginning in 1984 and extending through 1987, the aggregate $150 million principal amount of debt issued in 1980, which bears interest at substantially higher rates than other debt securities of the company, will be retired through sinking fund provisions. Consequently, the company expects the percentage of debt to total capitalization will decline from its current level during this period. To maintain a balanced capital structure, the company intends to take steps to counter this decline. These steps may include the repurchase of shares of its common stock and could entail issuance of additional long-term debt. Definitive plans concerning changes in the company's capital structure have not been finalized, pending action required for the formation of a new holding company, and are not reflected in the company's projected capital requirements described above.

Income Statement · Year ended December 31

(Thousands of Dollars)

	1983	1982	1981
Operating Revenues			
Electric	**$1,070,405**	$ 974,788	$ 869,977
Gas	**336,506**	317,225	273,065
Steam	**10,653**	10,897	9,341
Total Operating Revenues	**1,417,564**	1,302,910	1,152,383
Operating Expenses			
Fuel (Note A)	**285,077**	261,992	256,045
Purchased power	**55,081**	37,310	30,509
Gas purchased for resale	**263,495**	253,070	224,651
Other operation expenses (Note B)	**209,703**	200,091	172,120
Maintenance	**110,541**	103,805	85,664
Taxes other than income taxes	**50,329**	49,099	44,576
Depreciation (Note C)			
Straight line	**109,518**	85,010	78,600
Deferred income taxes (Note D)	**(1,183)**	17,027	29,192
Federal income tax (Note D)	**94,911**	72,464	33,676
Investment tax credit adjustments—net (Note D)	**12,441**	10,557	15,581
State income tax (Note D)	**22,133**	15,404	9,601
Total Operating Expenses	**1,212,046**	1,105,829	980,215
Operating Income	**205,518**	197,081	172,168
Other Income and Deductions			
Interest income	**7,206**	9,305	7,156
Allowance for other funds used during construction (Note E)	**9,142**	4,588	3,155
Miscellaneous—net	**(4,721)**	(7,196)	(151)
Federal income tax (Note D)	**(810)**	(811)	(2,852)
State income tax (Note D)	**(219)**	(208)	(515)
Total Other Income and Deductions	**10,598**	5,678	6,793
Income Before Interest Charges	**216,116**	202,759	178,961
Interest Charges			
Long term debt	**59,750**	64,341	65,344
Allowance for borrowed funds used during construction (Note E)	**(4,084)**	(2,812)	(3,557)
Other	**10,493**	9,585	11,672
Total Interest Charges	**66,159**	71,114	73,459
Net Income	**149,957**	131,645	105,502
Preferred Stock Dividend Requirement	**15,087**	15,087	15,087
Earnings Available for Common Stockholders	**$ 134,870**	$ 116,558	$ 90,415
Average Number of Shares of Common Stock Outstanding (Thousands)	**33,939**	32,402	30,894
Earnings Per Share of Common Stock	**$3.97**	$3.60	$2.93

The notes on pages 24 through 29 are an integral part of the financial statements.

Statement of Changes in Financial Position · Year ended December 31

(Thousands of Dollars)

	1983	1982	1981
Financial Resources Provided			
Operations			
Net income	**$149,957**	$131,645	$105,502
Depreciation—straight line	**109,518**	85,010	78,600
—deferred income taxes	**(1,183)**	17,027	29,1[illegible]2
Accumulated deferred investment tax credits	**11,298**	8,442	12,954
Nuclear fuel expense	**10,504**	11,165	7,573
Amortization of precertification expenditures	**4,100**	9,137	8,358
Write-off of additional construction costs	**—**	5,000	—
Allowance for funds used during construction	**(13,226)**	(7,400)	(6,712)
Total from operations	**270,968**	260,026	235,467
Common stock	**28,169**	30,152	25,260
Long term debt	**—**	6,904	—
Sale of nuclear fuel	**27,804**	27,112	23,042
Contributions and advances in aid of construction	**4,755**	3,741	3,282
Deferred charges/credits and other	**(5,152)**	(306)	(9,760)
	$326,544	$327,629	$277,291
Financial Resources Used			
Construction expenditures	**$139,164**	$139,621	$154,814
Nuclear fuel	**24,027**	22,617	32,813
Dividends	**84,848**	76,521	69,262
Retirement of long term debt	**1,708**	60,425	3,675
Reduction of short term borrowings	**—**	14,983	55,062
Construction funds held by trustees	**—**	6,923	—
Increase (decrease) in working capital (other than short term borrowings and long term debt due currently)	**76,797**	6,539	(38,335)
	$326,544	$327,629	$277,291
Increase (Decrease) in Components of Working Capital			
Cash and temporary cash investments	**$ 80,674**	$ (28,894)	$ 39,027
Accounts receivable and accrued utility revenues	**40,658**	1,588	14,078
Fossil fuel	**(19,019)**	21,626	(16,283)
Accounts payable and accrued liabilities	**(30,661)**	10,439	(70,892)
Other	**5,145**	1,780	(4,265)
	$ 76,797	$ 6,539	$ (38,335)

The notes on pages 24 through 29 are an integral part of the financial statements.

Balance Sheet • December 31

	(Thousands of Dollars)	
Assets	**1983**	1982
Utility Plant		
Electric	**$2,177,627**	$2,155,979
Gas	**234,265**	219,091
Steam	**20,430**	19,259
	2,432,322	2,394,329
Accumulated provision for depreciation	**(1,076,970)**	(1,001,867)
	1,355,352	1,392,462
Construction work in progress	**397,390**	332,271
Nuclear fuel (Note A)	**42,523**	46,300
Net Utility Plant	**1,795,265**	1,771,033
Nonutility Property	**12,528**	8,999
Accumulated provision for depreciation	**(2,795)**	(2,037)
Net Nonutility Property	**9,733**	6,962
Current Assets		
Cash	**7,239**	7,210
Temporary cash investments	**88,815**	8,170
Accounts receivable (Note F)	**66,533**	54,533
Accrued utility revenues	**135,503**	106,845
Fossil fuel (at average cost)	**86,053**	105,072
Materials and supplies (at average cost)	**44,742**	42,001
Prepayments and other assets	**8,104**	5,700
Total Current Assets	**436,989**	329,531
Deferred Charges and Other Assets	**20,545**	23,772
	$2,262,532	$2,131,298

The notes on pages 24 through 29 are an integral part of the financial statements.

(Thousands of Dollars)

Liabilities	1983	1982
Capitalization (See Capitalization Statement)		
Common Stock Equity (Note G)	**$ 868,406**	$ 775,173
Preferred Stock—Redemption Not Required (Note H)	**160,451**	160,451
Preferred Stock—Redemption Required (Note I)	**25,000**	25,000
Long Term Debt (Note J)	**692,272**	737,720
Total Capitalization	**1,746,129**	1,698,344
Current Liabilities		
Long term debt due currently (Note J)	**43,405**	—
Notes payable to banks (Note K)	**4,999**	4,999
Accounts payable	**107,143**	93,390
Payroll and vacation accrued	**17,725**	15,977
Taxes accrued—income and other	**74,784**	74,252
Interest accrued	**33,298**	24,398
Other	**13,252**	7,524
Total Current Liabilities	**294,606**	220,540
Deferred Credits and Other Liabilities		
Accumulated deferred investment tax credits	**133,579**	122,281
Nuclear fuel costs accrued	**30,623**	30,891
Unamortized accrued utility revenues	**12,667**	16,889
Other	**6,211**	7,139
Total Deferred Credits and Other Liabilities	**183,080**	177,200
Contributions in Aid of Construction	**38,717**	35,214
Commitments and Contingencies (Note M)		
	$2,262,532	$2,131,298

The notes on pages 24 through 29 are an integral part of the financial statements.

Capitalization Statement · December 31

	1983	1982
	(Thousands of Dollars)	
Common Stock Equity (Note G)		
Common Stock ($10 par value; authorized 41,000,000 shares; 34,477,827 and 33,216,164 shares issued)	**$ 344,778**	$ 332,162
Premium on Capital Stock	**95,467**	79,914
Retained Earnings	**428,161**	363,097
Total Common Stock Equity	**868,406**	775,173
Preferred Stock—Wisconsin Electric Power Company, 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 H)	**160,451**	160,451
10.875% Series—250,000 shares issued	**25,000**	25,000
Total Preferred Stock—Redemption Required (Note I)	**25,000**	25,000

Long Term Debt (Note J)

First Mortgage Bonds

Series Due	1983	1982	Series Due	1983	1982
Wisconsin Electric Power Company					
3⅛%—1984	**$16,738**	$16,848	6⅞%—1998	**$ 33,447**	$ 33,621
3⅜%—1986	**20,907**	21,207	6.10%—1999-2008	**25,000**	25,000
13¾%—1986	**80,000**	80,000	6.25%—1999-2008	**1,000**	1,000
11.40%—1987	**70,000**	70,000	7¼%—1999	**38,973**	38,973
4⅛%—1988	**21,867**	22,191	8⅜%—1999	**39,491**	39,537
5%—1990	**26,701**	26,701	8½%—1999	**11,711**	11,729
4¾%—1991	**3,620**	3,620	6.45%—2004	**12,000**	12,000
4½%—1993	**4,991**	5,016	8¾%—2006	**59,980**	59,990
5⅜%—1996	**37,152**	37,188	6.45%—2006	**4,000**	4,000
6½%—1997	**11,433**	11,507	6.50%—2007-2009	**10,000**	10,000
6⅜%—1997	**37,696**	37,790	8⅞%—2008	**80,000**	80,000
6⅝%—1998	**9,812**	9,822			
				656,519	657,740
Wisconsin Natural Gas Company					
4¾%—1986	**3,631**	3,631	6⅜%—1992	**9,246**	9,312
4⅜%—1987	**4,453**	4,478	8¾%—1994	**9,569**	9,598
4⅞%—1990	**6,428**	6,488	8⅜%—1996	**9,724**	9,738
				43,051	43,245

	1983	1982
First Mortgage Bonds total	**699,570**	700,985
Debentures (Unsecured)		
Wisconsin Electric Power Company—7% Series due 1993	**30,364**	31,165
Note (Unsecured)		
Wisconsin Electric Power Company—7¼% due 1985	**7,000**	7,000
Unamortized Discount—net	**(1,257)**	(1,430)
Long Term Debt Due Currently	**(43,405)**	—
Total Long Term Debt	**692,272**	737,720
Total Capitalization	**$1,746,129**	$1,698,344

The notes on pages 24 through 29 are an integral part of the financial statements.

Retained Earnings Statement • Year ended December 31

(Thousands of Dollars)

	1983	1982	1981
Balance, January 1	**$363,097**	$308,262	$272,043
Additions			
Net income	**149,957**	131,645	105,502
	513,054	439,907	377,545
Deductions			
Dividends–Cash			
Preferred stock	**15,087**	15,087	15,087
Common stock–$2.06, $1.902 and $1.76 per share	**69,761**	61,434	54,175
	84,848	76,521	69,262
Cost of issuing capital stock	**45**	289	21
	84,893	76,810	69,283
Balance, December 31	**$428,161**	$363,097	$308,262

The notes on pages 24 through 29 are an integral part of the financial statements.

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 consolidated financial statements include the accounts of the company and its subsidiaries, Wisconsin Natural Gas Company and Badger Service Company.

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 $52 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 the estimated cost for disposal of spent fuel.

In 1983, the company entered into a contract with the U.S. Department of Energy for the disposal of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The disposal costs accrued cover substantially all disposal costs expected to be incurred for nuclear generation through December 31, 1983.

Gas Purchased for Resale

The cost of purchased gas sold is expensed in the period the gas is received from the pipeline supplier.

Property

Electric and gas 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 E). 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 $37,846,000 in 1983, $39,895,000 in 1982 and $33,092,000 in 1981. This includes charges of $35,196,000 in 1983, $36,948,000 in 1982 and $30,442,000 in 1981 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 $53,069,000 in 1983 and $53,036,000 in 1982.

B · Pension Plans

Several noncontributory pension plans cover all eligible employes. Normal employe pension cost is accrued and funded currently. Unfunded prior service liability is amortized over periods from ten to thirty years. Pension expense was $14,591,000 in 1983, $15,113,000 in 1982 and $11,414,000 in 1981.

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

	December 31		
(Thousands of Dollars)	1983	1982	1981
Actuarial present value of accumulated plan benefits:			
Vested benefits	$167,581	$150,067	$135,817
Nonvested benefits	7,913	10,050	7,554
	$175,494	$160,117	$143,371
Net plan assets	$222,317	$182,083	$137,037

The weighted average rate of return used in determining the actuarial present value of accumulated plan benefits was 7%.

C · Depreciation

Depreciation expense is accrued at straight line rates, certified by the PSCW, which include estimates of salvage and plant removal costs. In 1982 and 1981 the nuclear plant depreciation rates provided an amount for the estimated current cost of decommissioning. Effective January 1983, the nuclear plant depreciation rates certified by the PSCW provide for decommissioning costs stated in estimated future dollars of the projected year of decommissioning.

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 4.8% in 1983, 3.8% in 1982 and 3.6% in 1981.

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.

(Thousands of Dollars)	1983	1982	1981
Current tax expense	$118,073	$ 88,887	$ 46,644
Investment tax credit adjustments--net	12,441	10,557	15,581
Deferred taxes charged to depreciation expense	(1,183)	17,027	29,192
Total tax expense	$129,331	$116,471	$ 91,417
Income before income taxes	$279,288	$248,116	$196,919
Expected tax at federal statutory rate	$128,472	$114,133	$ 90,583
Allowance for funds used during construction	(6,084)	(3,404)	(3,088)
State income tax net of federal tax reduction	12,118	10,800	7,785
Investment tax credit restored	(5,780)	(5,561)	(4,952)
Other (no item over 5% of expected tax)	605	503	1,089
Total tax expense	$129,331	$116,471	$ 91,417

Deferred income tax expense in 1983 reflects that the nuclear plant decommissioning cost accrual increased substantially (see Note C) and is not deductible currently for income tax return purposes.

The aggregate amount of deferred income taxes included in the accumulated provision for depreciation at December 31 was $228,761,000 in 1983 and $223,265,000 in 1982.

E · 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 10% of its net investment rate base in 1983 and 1981 and 12.5% of its net investment rate base in 1982. 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 1983, 1982 and 1981 at a rate of 7% approved by the PSCW.

Notes to Financial Statements continued

F · Accounts Receivable

Accounts receivable are shown on the balance sheet after deducting an accumulated provision for doubtful accounts in the amount of $3,034,000 for 1983 and $2,571,000 for 1982. Uncollectible account write-offs net of recoveries were $6,066,000 for 1983, $5,281,000 in 1982 and $3,451,000 in 1981.

G · Common Stock and Premium on Capital Stock

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

	1983	1982	1981
Shares issued			
ADRSPP	1,093,395	1,291,058	1,257,908
TRASOP	168,268	198,838	372,883
Proceeds from sales			
ADRSPP	$24,213,000	$25,819,000	$19,199,000
TRASOP	$ 3,956,000	$ 4,333,000	$ 6,061,000

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

H · 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.

Series	Redemption Price Per Share
3.60%	$101
8.90%	$104 to December 1, 1985 and $101 thereafter
7.75%	$104 to November 1, 1986 and $101 thereafter
8.80%	$105.87 to January 1, 1989; $102.94 to January 1, 1994 and $101 thereafter

I · Preferred Stock—Redemption Required

The redemption at $100 par value of 6,250 shares of Serial Preferred Stock, 10.875% Series 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 $109.75 to September 1, 1984 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 and series except ratably on all preferred shares according to their respective dividend rates.

J · Long Term Debt

The maturities and sinking fund requirements through 1988 for the aggregate amount of long term debt outstanding at December 31, 1983 are shown below. Of the annual sinking fund requirements, $3,990,000 may be satisfied by certifying additional mortgaged property.

1984	$49,571,000
1985	62,960,000
1986	79,926,000
1987	33,407,000
1988	26,268,000

Future sinking fund requirements have been anticipated by advance purchases of bonds to the extent of $2,420,000 and certification of property in the amount of $3,990,000.

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

K · Notes Payable and Commercial Paper

Unused lines of credit for short term borrowing amounted to $100,350,000 at December 31, 1983. In support of various informal lines of credit from banks, the companies have 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, 1983 as well as $180,000 of non-interest bearing certificates of deposit included in temporary cash investments represent compensating balances.

L • Information by Segments of Business

Year Ended December 31	1983	1982	1981
			(Thousands of Dollars)
Electric Operations			
Revenue from unaffiliated customers	**$1,070,405**	$ 974,788	$ 869,977
Intersegment sales	**—**	108	129
Operating revenues	**1,070,405**	974,896	870,106
Operating income before income taxes	**305,621**	285,690	244,166
Depreciation—straight line	**100,030**	76,225	70,239
Construction expenditures	**118,931**	121,471	140,899
Gas Operations			
Revenue from unaffiliated customers	**336,506**	317,225	273,065
Intersegment sales	**4,928**	10,476	11,878
Operating revenues	**341,434**	327,701	284,943
Operating income before income taxes	**26,220**	24,268	14,272
Depreciation—straight line	**8,863**	8,207	7,802
Construction expenditures	**16,818**	16,713	13,250
Steam Operations			
Operating revenues (unaffiliated)	**10,653**	10,897	9,341
Operating income before income taxes	**1,979**	2,575	1,780
Depreciation—straight line	**625**	578	559
Construction expenditures	**974**	1,405	665
Consolidated			
Operating revenues (excluding intersegment sales eliminated in consolidation)	**1,417,564**	1,302,910	1,152,383
Operating income before income taxes	**333,820**	312,533	260,218
Depreciation—straight line	**109,518**	85,010	78,600
Construction expenditures (including nonutility)	**139,164**	139,621	154,814
At December 31			
Net Identifiable Assets			
Electric	**$2,010,184**	$1,906,446	$1,899,843
Gas	**229,173**	204,763	196,843
Steam and nonutility	**23,175**	20,089	19,384
Total Consolidated Assets	**$2,262,532**	$2,131,298	$2,116,070

Intersegment sales consist principally of gas sold by Wisconsin Natural to the company at rates approved by the PSCW.

Notes to Financial Statements continued

M · Commitments and Contingencies

Plans for the construction and financing of future additions to utility plant can be found elsewhere in this report in "Management's Discussion and Analysis of Financial Condition and Results of Operations." At December 31, 1983, construction work in progress includes $54,802,000 of company-financed expenditures relating to the company's 25% share in the 380 megawatt Edgewater Unit 5 coal-fired generating station which is being constructed by Wisconsin Power and Light Co.

N · Supplementary Information Concerning the Effects of Changing Prices (Unaudited)

The following supplementary information provides certain data about the effects of changing prices in accordance with Financial Accounting Standards Board (FASB) requirements. This information should be viewed as estimates of the possible effects of inflation rather than as precise measures.

Amounts adjusted for general price level represent historical costs stated in terms of dollars of equal purchasing power through use of the Consumer Price Index for All Urban Consumers. Current cost amounts represent changes in specific prices and differ from amounts adjusted for general price level to the extent that specific prices have increased more or less rapidly than prices in general. Current cost represents an estimated cost of replacing existing plant and was determined by indexing the original cost of plant by the Handy-Whitman Index of Public Utility Construction Costs.

The provisions for depreciation stated in general price level and current cost were determined by applying the company's certified depreciation rates to the average indexed plant amounts. Fuel expense has not been restated because rate regulation allows the recovery of actual costs through fuel adjustment tariffs on a current basis. Income tax expense has not been adjusted because the effects of inflation are not recognized for tax purposes. Other items of expense have not been restated in accordance with FASB Statement No. 33.

Statement of Income Adjusted for Changing Prices

Year Ended December 31	1983		
		Average 1983 Dollars	
(Millions of Dollars)	As Reported In Financial Statements	Adjusted for General Price Level	Adjusted for Current Cost
Operating Revenues	$1,418	$1,418	$1,418
Operating Expenses			
Depreciation—Straight line	110	219	244
Other expenses	974	974	974
Income taxes	128	128	128
Total Operating Expenses	1,212	1,321	1,346
Operating Income	206	97	72
Other Income and Deductions	10	10	10
Interest Charges and Preferred Stock Dividends	(81)	(81)	(81)
Earnings Available for Common Stockholders (excluding adjustment of plant investment to net recoverable cost) (Note)	$ 135	$ 26	$ 1
Earnings Per Share of Common Stock	$ 3.97	$ 0.77	$ 0.03

The current cost of net utility plant at December 31, 1983 was $4.3 billion. The increase in the current cost of property and the adjustment to net recoverable cost was $234 million and $(18) million in 1983.

Note—Earnings after adjustment of net utility plant to net recoverable cost would have been $60 million in 1983 adjusted for general price level.

Under the ratemaking prescribed by the regulatory commissions to which the company is subject, only historical cost of plant is recoverable in rates. The impact of this ratemaking is mitigated to the extent that plant is financed with debt which can be repaid with dollars of reduced purchasing power.

Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

Year Ended December 31 (All amounts are stated in average 1983 dollars) (Millions of dollars except for per share amounts)	**1983**	1982	1981	1980	1979
General Price Level Information					
Earnings (loss) available for common stockholders (Note a)	**26**	7	(5)	(12)	15
Earnings (loss) per share of common stock (Note a)	**$0.77**	$0.23	$(0.18)	$(0.41)	$0.54
Current Cost Information					
Earnings (loss) available for common stockholders (Note a)	**1**	(19)	(33)	(42)	(48)
Earnings (loss) per share of common stock (Note a)	**$0.03**	$(0.58)	$(1.06)	$(1.44)	$(1.72)
Increase in general price level over (under) increase in current cost of property after adjustment to net recoverable cost	**(59)**	(62)	47	125	122
General Information					
Unrealized gain from decline in purchasing power of debt and preferred stock	**44**	49	117	164	169
Common stock equity at year-end	**854**	791	732	726	761
Operating revenues	**$1,418***	$1,345	$1,262	$1,218	$1,191
Cash dividends per share of common stock	**$2.06***	$1.96	$1.93	$2.00	$2.15
Market price per share of common stock at year-end	**$27.04**	$23.22	$19.26	$17.13	$19.79
Consumer Price Index—average for year	**298.4**	289.1	272.4	246.8	217.4

*Actual 1983 dollars.
Note a—Excluding adjustment to net recoverable cost

Report of Independent Accountants

To the Board of Directors and the Stockholders of
Wisconsin Electric Power Company

In our opinion, the accompanying consolidated balance sheet and statement of capitalization and the related consolidated statements of income, retained earnings, and changes in financial position present fairly the financial position of Wisconsin Electric Power Company and its subsidiaries at December 31, 1983 and 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1983, 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 25, 1984

Selected Financial Data

(Thousands of dollars except for per share amounts)

	1983	1982	1981	1980	1979
Financial					
Net income	**149,957**	131,645	105,502	82,488	82,532
Preferred stock dividend requirement	**(15,087)**	(15,087)	(15,087)	(13,520)	(12,368)
Earnings available for common stock	**134,870**	116,558	90,415	68,968	70,164
Earnings per share of common stock ($)	**3.97**	3.60	2.93	2.35	2.50
Dividends declared per share of common stock ($)	**2.06**	1.902	1.76	1.657	1.563
Operating revenues:					
Electric	**1,070,405**	974,788	869,977	761,051	667,757
Gas	**336,506**	317,225	273,065	237,932	191,238
Steam	**10,653**	10,897	9,341	8,162	8,570
Total operating revenues	**1,417,564**	1,302,910	1,152,383	1,007,145	867,565
Total assets	**2,262,532**	2,131,298	2,116,070	2,030,241	1,830,664
Long term debt and preferred stock– redemption required	**717,272**	762,720	757,631	818,905	649,227
Sales and Customers					
Electric					
Megawatt-hours sold	**17,776,847**	17,279,680	17,792,080	17,729,184	17,670,612
Customers (End of year)	**822,119**	818,850	812,841	806,329	795,670
Gas					
Therms (thousands) sold	**609,013**	632,326	652,171	693,675	706,101
Customers (End of year)	**221,197**	217,983	215,520	212,279	206,032
Steam					
Pounds (millions) sold	**1,909**	2,041	1,924	1,941	2,188
Customers (End of year)	**540**	543	549	561	585

Quarterly Financial Data

(Thousands of dollars except for per share amounts)

	Three Months Ended							
	March		June		September		December	
	1983	1982	**1983**	1982	**1983**	1982	**1983**	1982
Total operating revenues	**$381,764**	$389,670	**$317,887**	$288,365	**$331,090**	$286,433	**$386,823**	$338,442
Operating income	**54,888**	61,109	**43,357**	41,408	**57,221**	50,881	**50,052**	43,683
Net income	**41,118**	42,097	**29,451**	25,825	**43,870**	35,639	**35,518**	28,084
Earnings per share of common stock	**$1.12**	$1.20	**$0.76**	$0.69	**$1.17**	$0.98	**$0.92**	$0.74

Because of seasonal factors which affect the utility business and differences between summer and winter electric rates, the quarterly results of operations are not directly comparable.

Stockholder Hotline

If you have a question, comment or problem related to your investment in the company, you can get answers or assistance quickly. Information on subjects such as dividends, dividend reinvestment, stock prices, transfer of shares, change of address procedure or company operations in general is readily available by calling our toll-free telephone hotline. Stockholder relations representatives are available to assist you from 8:00 a.m. to 4:30 p.m. (Central Time) every business day.

You can even call when our offices are closed. If you call in the evening, on a weekend or a holiday, leave a message on our automatic answering equipment. We will return your call at a time convenient to you.

The Stockholder Hotline numbers are:

In Milwaukee	277-2100
In Wisconsin	800-242-9686
Outside Wisconsin	800-558-9663

Stock and Dividend Information

Stock Transfer Agents

Common Stock, Six Per Cent. Preferred Stock and $100 Par Value Serial Preferred, 3.60% Series, 8.90% Series, 7.75% Series, 8.80% Series and 10.875% Series
Peter Sirko
231 West Michigan Street
P.O. Box 2046
Milwaukee, Wisconsin 53201

Common Stock and $100 Par Value Serial Preferred Stock, 8.90% Series, 7.75% Series and 8.80% Series
Manufacturers Hanover Trust Company
Post Office Box 24935
Church Street Station
New York, New York 10249

Stock Registrars

Common Stock
First Wisconsin Trust Company
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Manufacturers Hanover Trust Company
Post Office Box 24935
Church Street Station
New York, New York 10249

Six Per Cent. Preferred Stock
M&I Marshall & Ilsley Bank
770 North Water Street
Milwaukee, Wisconsin 53202

$100 Par Value Serial Preferred Stock, 3.60% Series
First Wisconsin Trust Company
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

$100 Par Value Serial Preferred Stock, 8.90% Series, 7.75% Series and 8.80% Series
M&I Marshall & Ilsley Bank
770 North Water Street
Milwaukee, Wisconsin 53202

Manufacturers Hanover Trust Company
Post Office Box 24935
Church Street Station
New York, New York 10249

$100 Par Value Serial Preferred Stock, 10.875% Series
M&I Marshall & Ilsley Bank
770 North Water Street
Milwaukee, Wisconsin 53202

Stock Listing and Trading

Common Stock and $100 Par Value Serial Preferred Stock, 8.90% Series and 7.75% Series are listed and traded on the New York Stock Exchange.

The Company's trading symbol on the New York Stock Exchange is WPC.

Six Per Cent. Preferred Stock and $100 Par Value Serial Preferred Stock, 3.60% Series and 8.80% Series are traded on an over-the-counter basis.

$100 Par Value Serial Preferred Stock, 10.875% Series was sold through a private placement and is not registered for public trading.

Range of Common Stock Prices and Dividends

	1982 Quarters				1983 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Dividends	$0.447	0.485	0.485	0.485	$0.485	0.525	0.525	0.525
Prices (high)	$20¾	21¾	25¾	25½	$24⅝	25⅛	25⅞	28½
Prices (low)	$17½	19¾	20	20	$22	22¼	23	25⅝

Number of Common Stockholders

As of Dec. 31, 1983, there were 54,754 Common Stockholders, based on the number of stockholder accounts.

Dividend Restrictions on Common Stock

Wisconsin Electric has from time to time in issuing its securities entered into dividend restrictions. Those relating to various series of Bonds, in general, prohibit cash dividends and certain other distributions on, and certain acquisitions of, Common Stock during or after the year of issuance of the particular series, except to the extent of retained earnings at the beginning of each year plus net income thereafter, as defined. A covenant relating to the Debentures provides, in general, that if consolidated shareholders' equity is less than one-third or one-quarter of consolidated capitalization, then dividends, distributions and acquisitions of such nature may not exceed three-quarters or one-half, respectively, of consolidated net income available for Common Stock for a preceding 12-month period. Similar or less restrictive covenants relate to other outstanding securities. (These restrictions do not currently, and it is not anticipated that they will in the future, impair Wisconsin Electric's ability to maintain its consistent record of dividend payments on its Preferred and Common Stock.)

Directors & Officers

DIRECTORS

FREDERICK M. BELMORE
Corporate Director and Consultant. Formerly Chairman of the Board of Directors, Will Ross, Inc. (manufacturer and distributor of hospital and laboratory supplies and equipment), subsidiary of G. D. Searle & Co., and Vice President, G. D. Searle & Co.

RUSSELL W. BRITT
President and Chief Operating Officer of the Company.

SOL BURSTEIN
Executive Vice President of the Company.

RICHARD L. JOHNSON
Chairman of the Board of the Menasha Corp. (manufacturer of paperboard, corrugated containers and plastic products and manager of timber).

CHARLES S. MCNEER
Chairman of the Board and Chief Executive Officer of the Company.

DONALD K. MUNDT
Executive Vice President, The Northwestern Mutual Life Insurance Co.

JOHN L. MURRAY
Chairman, President and Chief Executive Officer, Universal Foods Corporation (manufacturer and importer of specialty and gourmet foods).

MORRIS W. REID
Chairman of the Board of Versa Technologies, Inc. (manufacturer of fluid power and silicone rubber products) and Corporate Director. Formerly Chairman of the Board of Directors of J. I. Case Co. (manufacturer of construction and farm machinery), subsidiary of Tenneco Corp.

JON G. UDELL
Irwin Maier Professor of Business, the University of Wisconsin in Madison, and Chairman of the Board of Directors of Federal Home Loan Bank of Chicago.

OFFICERS

CHARLES S. MCNEER (57;33)
Chairman of the Board and Chief Executive Officer

RUSSELL W. BRITT (57;35)
President and Chief Operating Officer

SOL BURSTEIN (61;18)
Executive Vice President

JOHN W. BOSTON (50;1)
Senior Vice President

THOMAS J. CASSIDY (58;37)
Senior Vice President

NICHOLAS A. RICCI (59;36)
Senior Vice President

ROBERT H. GORSKE (51;19)
Vice President and General Counsel

RICHARD A. ABDOO (39;8)
Vice President—Customer Relations

CARLYLE W. FAY (57;17)
Vice President—Nuclear Power

RUSSELL A. NILES (60;35)
Vice President—Division Operations

HUBERTO R. PLATZ (54;17)
Vice President—Engineering and Construction

JERRY G. REMMEL (52;28)
Vice President and Treasurer

RICHARD E. SKOGG (55;31)
Vice President—Operating Services

JOHN E. SPEAKER (52;7)
Vice President—Communications

KENNETH E. WOLTERS (58;33)
Vice President—System Operations

JOHN H. GOETSCH (50;25)
Secretary

RICHARD R. PILTZ (43;18)
Controller

NANCY R. NOESKE (46;4)
Assistant Vice President

JOHN W. FLEISSNER (59;13)
Assistant Secretary

GORDON A. WILLIS (45;22)
Assistant Treasurer

GEORGE W. BOMIER (59;29)
Vice President and General Manager Wisconsin Natural Gas Company

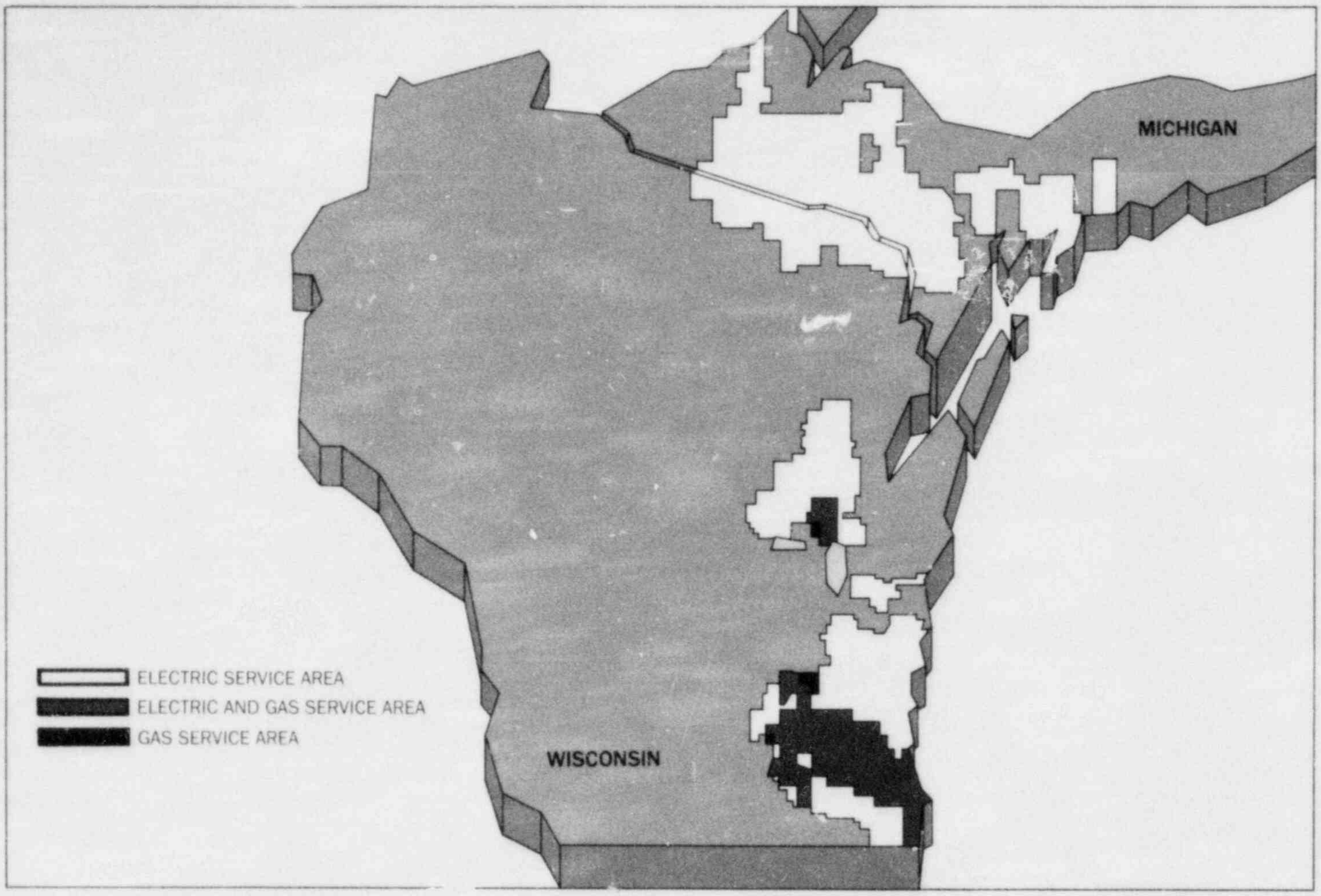
Figures in parentheses indicate age and years of service.

Members of the Executive Committee are directors McNeer, Britt, Mundt, Reid and Udell. All other directors are alternate members.

Members of the Audit Committee are directors Belmore, Johnson, Mundt, Murray, Reid and Udell.

Members of the Compensation Committee are directors Belmore, Johnson, Mundt, Murray, Reid and Udell.

Members of the Nominating Committee are directors Belmore, Johnson, Mundt and Murray.



The Business of the Company

Wisconsin Electric Power Co. is engaged principally in the generation, transmission, distribution and sale of electric energy in a territory consisting of approximately 12,600 square miles in southeastern Wisconsin, including the metropolitan Milwaukee area, the east central and northern portions of Wisconsin and the Upper Peninsula of Michigan. The operating area has an estimated population of over 2 million.

The company owns all the common stock of Wisconsin Natural Gas Co., which purchases natural gas from ANR Pipeline Co., then distributes and sells it in two service areas: west and south of Milwaukee, and in the Appleton area. The gas service territory which has an estimated population of over 800,000 is mainly within the electric service area.

The executive offices of the company are located at 231 W. Michigan St., P.O. Box 2046, Milwaukee, WI 53201, telephone (414) 277-2345.

Information Available

Form 10-K

The company will provide without charge to any stockholder of record or beneficial owner of the company's stock, upon written request, a copy of the company's annual report for the year 1983 to the Securities and Exchange Commission on Form 10-K. Such requests should be directed to the company's Secretary, 231 W. Michigan St., P.O. Box 2046, Milwaukee, WI 53201.

Stock Held in Street Name

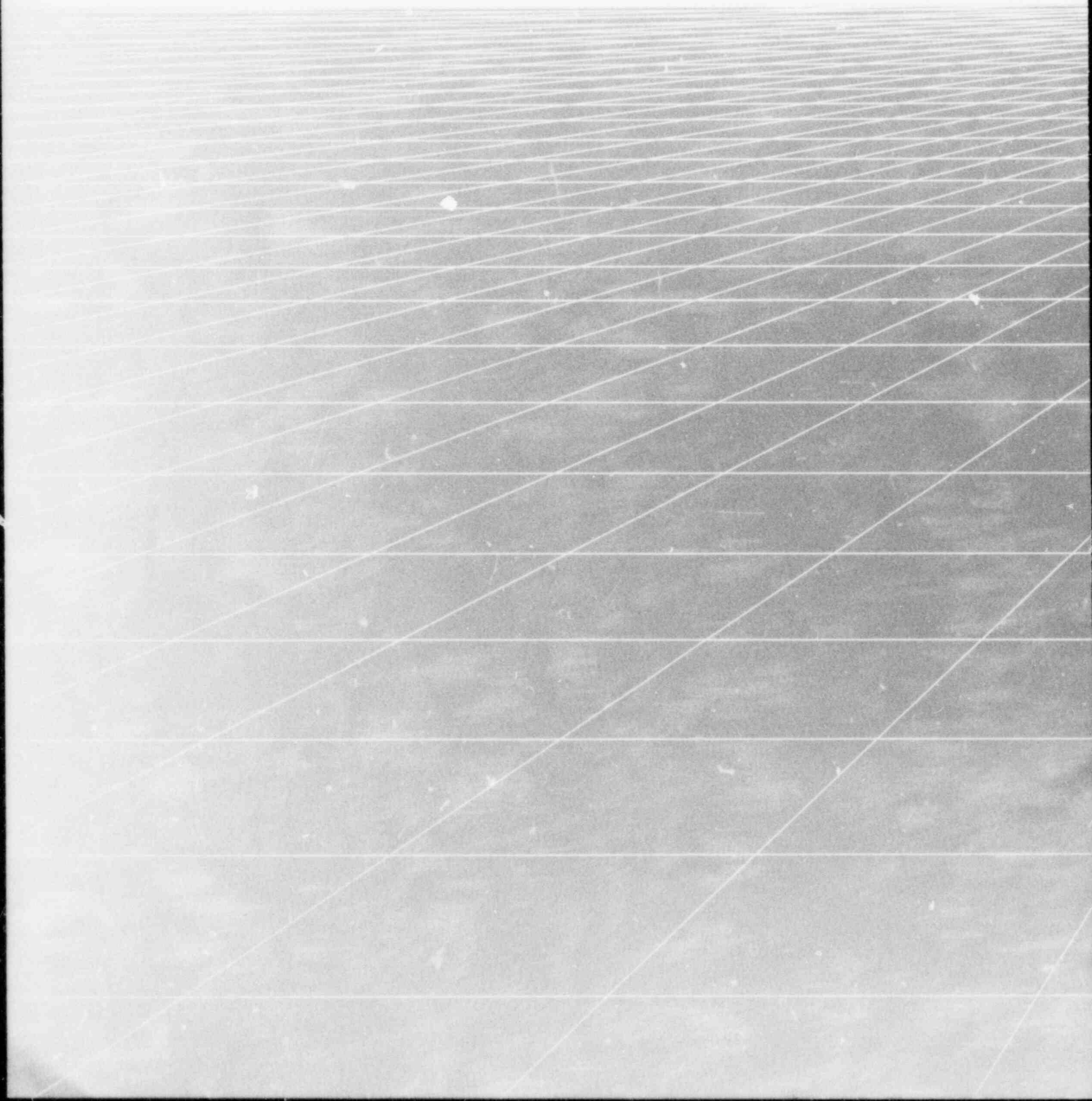
The company maintains a direct mailing list to ensure that shareholders whose stock is held in broker accounts or by bank or trust company nominees may receive information on a timely basis. If you would like your name added to this list, please send your request to the company's Transfer Agent at the address to the left.

10-Year Statistical Report

A copy of Wisconsin Electric's 1983 10-Year Statistical Report also is available by writing the company's Secretary at the address to the left.

WISCONSIN ELECTRIC POWER COMPANY
231 West Michigan Street, P.O. Box 2046
Milwaukee, Wisconsin 53201

(414) 277-2345



WISCONSIN ELECTRIC POWER COMPANY

Financial Statements
for the Year 1983

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, 1983 and 1982, 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, 1983, 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
PRICE WATERHOUSE

Milwaukee, Wisconsin
January 25, 1984

WISCONSIN ELECTRIC POWER COMPANY

INCOME STATEMENT

Year Ended December 31

	1983	1982	1981
	(Thousands of Dollars)		
Operating Revenues			
Electric	$1,070,405	$974,896	$870,106
Steam	10,653	10,897	9,341
Total Operating Revenues	1,081,058	985,793	879,447
Operating Expenses			
Fuel (Notes A and G)	285,631	263,126	257,163
Purchased power	55,081	37,310	30,509
Other operation expenses (Note B)	179,893	175,767	152,103
Maintenance	106,564	99,951	82,366
Taxes other than income taxes	45,634	44,657	40,602
Depreciation (Note C)			
Straight line	100,655	76,803	70,799
Deferred income taxes (Note D)	(3,196)	15,625	28,061
Federal income tax (Note D)	88,341	66,668	31,558
Investment tax credit adjustments - net (Note D)	11,369	9,102	14,453
State income tax (Note D)	20,401	13,944	8,991
Total Operating Expenses	890,373	802,953	716,605
Operating Income	190,685	182,840	162,842
Other Income and Deductions			
Equity in earnings of subsidiaries	10,961	10,241	3,858
Interest income	7,684	8,889	9,998
Allowance for other funds used during construction (Note E)	9,142	4,588	3,155
Miscellaneous - net	(4,450)	(6,935)	(125)
Federal income tax (Note D)	(1,124)	(706)	(4,064)
State income tax (Note D)	(279)	(184)	(729)
Total Other Income and Deductions	21,934	15,893	12,093
Income Before Interest Charges	212,619	198,733	174,935
Interest Charges			
Long term debt	57,182	61,399	62,388
Allowance for borrowed funds used during construction (Note E)	(4,084)	(2,812)	(3,557)
Other	9,564	8,501	10,602
Total Interest Charges	62,662	67,088	69,433
Net Income	$ 149,957	$131,645	$105,502

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

	1983	1982	1981
	(Thousands of Dollars)		
Balance, January 1	$333,712	$283,598	$248,649
Additions			
Net income	149,957	131,645	105,502
Equity in earnings of subsidiaries	(10,961)	(10,241)	(3,858)
Dividends received from subsidiaries	5,520	5,520	2,588
	478,228	410,522	352,881
Deductions			
Dividends - cash			
Preferred stock	15,087	15,087	15,087
Common stock - $2.06, $1.902 and $1.76 per share	69,761	61,434	54,175
	84,848	76,521	69,262
Cost of issuing capital stock	45	289	21
	84,893	76,810	69,283
Balance, December 31	$393,335	$333,712	$283,598

STATEMENT OF UNDISTRIBUTED SUBSIDIARY EARNINGS

Year Ended December 31

	1983	1982	1981
	(Thousands of Dollars)		
Balance, January 1	$29,385	$24,664	$23,394
Equity in earnings of subsidiaries	10,961	10,241	3,858
Dividends received from subsidiaries	(5,520)	(5,520)	(2,588)
Balance, December 31	$34,826	$29,385	$24,664

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

	1983	1982	1981
	(Thousands of Dollars)		
Financial Resources Provided			
Operations			
Net income	$149,957	$131,645	$105,502
Depreciation - straight line	100,655	76,803	70,799
- deferred income taxes	(3,196)	15,625	28,061
Accumulated deferred investment tax credits	10,308	7,215	12,008
Nuclear fuel expense	10,504	11,165	7,573
Amortization of precertification expenditures	4,100	9,137	8,358
Write-off of additional construction costs	-	5,000	-
Undistributed subsidiary earnings	(5,441)	(4,721)	(1,270)
Allowance for funds used during construction	(13,226)	(7,400)	(6,712)
Total from operations	253,661	244,469	224,319
Common stock	28,169	30,152	25,260
Long term debt	-	6,904	-
Sale of nuclear fuel	27,804	27,112	23,042
Contributions and advances in aid of construction	4,489	3,543	2,494
Deferred charges/credits and other	(3,944)	1,409	(8,035)
	$310,179	$313,589	$267,080

Financial Resources Used			
Construction expenditures	$122,349	$122,906	$141,558
Nuclear fuel	24,027	22,617	32,813
Dividends	84,848	76,521	69,262
Additional investment in subsidiaries	-	-	15,000
Retirement of long term debt	1,566	60,374	3,556
Reduction of short term borrowings	-	14,983	55,061
Construction funds held by trustees	-	6,923	-
Increase (decrease) in working capital (other than short term borrowings and long term debt due currently)	77,389	9,265	(50,170)
	$310,179	$313,589	$267,080

Increase (Decrease) in Components of Working Capital			
Cash and temporary cash investments	$ 81,746	$(29,621)	$ 41,772
Accounts receivable and accrued utility revenues	21,087	2,482	9,289
Fossil fuel	(19,063)	21,365	(16,400)
Notes receivable from subsidiaries	10,612	11,210	(25,893)
Accounts payable and accrued liabilities	(21,843)	2,506	(55,100)
Other	4,850	1,323	(3,838)
	$ 77,389	$ 9,265	$(50,170)

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

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

DECEMBER 31

ASSETS

	1983	1982
	(Thousands of Dollars)	
Utility Plant		
Electric	$2,177,627	$2,155,979
Steam	20,430	19,259
	2,198,057	2,175,238
Accumulated provision for depreciation	(998,832)	(931,717)
	1,199,225	1,243,521
Construction work in progress	395,637	328,959
Nuclear fuel (Note A)	42,523	46,300
Net Utility Plant	1,637,385	1,618,780
Other Property and Investments		
Nonutility property	7,730	4,921
Accumulated provision for depreciation	(2,433)	(2,037)
Net nonutility property	5,297	2,884
Investment in subsidiary companies (Note G)	76,334	70,892
Total Other Property and Investments	81,631	73,776
Construction Funds Held by Trustees	3,451	6,976
Current Assets		
Cash	6,886	6,995
Temporary cash investments	88,775	6,920
Accounts receivable (Note F)	53,786	44,676
Accrued utility revenues	80,907	68,930
Notes receivable from subsidiary companies (Note G)	25,033	14,421
Fossil fuel (at average cost)	85,631	104,694
Materials and supplies (at average cost)	42,011	39,544
Prepayments and other assets	7,894	5,511
Total Current Assets	390,923	291,691
Deferred Charges and Other Assets	16,896	16,547
	$2,130,286	$2,007,770

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

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

DECEMBER 31

LIABILITIES

	1983	1982
	(Thousands of Dollars)	
Capitalization (See Capitalization Statement)		
Common Stock Equity (Note H)	$ 868,406	$ 775,173
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)	649,243	694,498
Total Capitalization	1,703,100	1,655,122
Current Liabilities		
Long term debt due currently (Note K)	43,405	-
Accounts payable	62,413	58,013
Accounts payable to subsidiary companies (Note G)	142	213
Payroll and vacation accrued	15,893	14,435
Taxes accrued - income and other	64,263	63,249
Interest accrued	32,193	23,292
Other	10,925	4,784
Total Current Liabilities	229,234	163,986
Deferred Credits and Other Liabilities		
Accumulated deferred investment tax credits	125,217	114,909
Nuclear fuel costs accrued	30,623	30,891
Unamortized accrued utility revenues	8,197	10,930
Other	4,919	6,439
Total Deferred Credits and Other Liabilities	168,956	163,169
Contributions in Aid of Construction	28,996	25,493
Commitments and Contingencies (Note M)		
	$2,130,286	$2,007,770

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

WISCONSIN ELECTRIC POWER COMPANY

CAPITALIZATION STATEMENT

DECEMBER 31

		1983	1982
		(Thousands of Dollars)	
COMMON STOCK EQUITY (Note H)			
Common Stock ($10 par value; authorized 41,000,000 shares; issued 33,477,827 and 33,216,164 shares)		$ 344,778	$ 332,162
Premium on Capital Stock		95,467	79,914
Retained Earnings		393,335	333,712
Undistributed Subsidiary Earnings		34,826	29,385
Total Common Stock Equity		868,406	775,173
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)		160,451	160,451
10.875% Series - 250,000 shares issued		25,000	25,000
Total Preferred Stock - Redemption Required (Note J)		25,000	25,000
LONG TERM DEBT (Note K)			
First Mortgage Bonds			
Series	Due		
3-1/8%	1984	16,738	16,848
3-7/8%	1986	20,907	21,207
13-3/4%	1986	80,000	80,000
11.40%	1987	70,000	70,000
4-1/8%	1988	21,867	22,191
5 %	1990	26,701	26,701
4-3/4%	1991	3,620	3,620
4-1/2%	1993	4,991	5,016
5-7/8%	1996	37,152	37,188
6-1/2%	1997	11,433	11,507
6-7/8%	1997	37,696	37,790
6-5/8%	1998	9,812	9,822
6-7/8%	1998	33,447	33,621
6.10 %	1999-2008	25,000	25,000
6.25 %	1999-2008	1,000	1,000
7-1/4%	1999	38,973	38,973
8-3/8%	1999	39,491	39,537
8-1/2%	1999	11,711	11,729
6.45 %	2004	12,000	12,000
8-3/4%	2006	59,980	59,990
6.45 %	2006	4,000	4,000
6.50 %	2007-2009	10,000	10,000
8-7/8%	2008	80,000	80,000
		656,519	657,740
Debentures (Unsecured)			
7% Series due 1993		30,364	31,165
Note (Unsecured)			
7-1/4% due 1985		7,000	7,000
Unamortized Discount - net		(1,235)	(1,407)
Long Term Debt Due Currently		(43,405)	-
Total Long Term Debt		649,243	694,498
Total Capitalization		$1,703,100	$1,655,122

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 the estimated cost for disposal of spent fuel.

In 1983, the company entered into a contract with the U.S. Department of Energy for the disposal of spent nuclear fuel in accordance with the Nuclear Waste Policy Act of 1982. The disposal costs accrued cover substantially all disposal costs expected to be incurred for nuclear generation through December 31, 1983.

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 E). 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 $37,651,000 in 1983, $39,918,000 in 1982 and $33,116,000 in 1981. This includes charges of $35,196,000 in 1983, $36,948,000 in 1982 and $30,442,000 in 1981 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 $53,069,000 in 1983 and $53,036,000 in 1982.

B - Pension Plans

Several noncontributory pension plans cover all eligible employes. Normal employe pension cost is accrued and funded currently. Unfunded prior service liability is amortized over periods from ten to thirty years. Pension expense was $13,093,000 in 1983, $13,622,000 in 1982 and $10,383,000 in 1981.

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

	December 31		
	1983	1982	1981
	(Thousands of Dollars)		
Actuarial present value of accumulated plan benefits:			
Vested benefits	$152,598	$137,345	$124,568
Nonvested benefits	7,311	9,386	7,059
	$159,909	$146,731	$131,627
Net plan assets	$202,633	$166,155	$125,295

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, which include estimates of salvage and plant removal costs. In 1982 and 1981 the nuclear plant depreciation rates provided an amount for the estimated current cost of decommissioning. Effective January 1983, the nuclear plant depreciation rates certified by the PSCW provide for decommissioning costs stated in estimated future dollars of the projected year of decommissioning.

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 4.8% in 1983, 3.8% in 1982 and 3.6% in 1981.

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.

	1983	1982	1981
	(Thousands of Dollars)		
Current tax expense	$110,145	$ 81,502	$ 45,342
Investment tax credit adjustments - net	11,369	9,102	14,453
Deferred taxes charged to depreciation expense	(3,196)	15,625	28,061
Total tax expense	$118,318	$106,229	$ 87,856
Income before income taxes	$268,275	$237,874	$193,358
Expected tax at federal statutory rate	$123,407	$109,422	$ 88,945
Allowance for funds used during construction	(6,084)	(3,403)	(3,088)
Equity in earnings of subsidiaries	(5,042)	(4,711)	(1,775)
State income tax net of federal tax reduction	11,057	9,842	7,476
Investment tax credit restored	(5,404)	(5,276)	(4,698)
Other (no item over 5% of expected tax)	384	355	996
Total tax expense	$118,318	$106,229	$ 87,856

Deferred income tax expense in 1983 reflects that the nuclear plant decommissioning cost accrual increased substantially (see Note C) and is not deductible currently for income tax return purposes.

The aggregate amount of deferred income taxes included in the accumulated provision for depreciation at December 31 was $214,910,000 in 1983 and $211,427,000 in 1982.

E - 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 10% of its net investment rate base in 1983 and 1981 and 12.5% of its net investment rate base in 1982. 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 1983, 1982 and 1981 at a rate of 7% approved by the PSCW.

F - Accounts Receivable

Accounts receivable are shown on the balance sheet after deducting an accumulated provision for doubtful accounts in the amount of $1,979,000 for 1983 and $2,151,000 for 1982. Uncollectible account write-offs net of recoveries were $3,963,000 in 1983, $4,236,000 in 1982 and $2,865,000 in 1981.

G - Transactions with 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 $4,928,000 in 1983, $10,451,000 in 1982, and $11,854,000 in 1981 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.

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

H - Common Stock and Premium on Capital Stock

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

	1983	1982	1981
Shares issued			
ADRSPP	1,093,395	1,291,058	1,257,908
TRASOP	168,268	198,838	372,883
Proceeds from sales			
ADRSPP	$24,213,000	$25,819,000	$19,199,000
TRASOP	$ 3,956,000	$ 4,333,000	$ 6,061,000

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

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.

Series	Redemption Price Per Share
3.60%	$101
8.90%	$104 to December 1, 1985 and $101 thereafter
7.75%	$104 to November 1, 1986 and $101 thereafter
8.80%	$105.87 to January 1, 1989; $102.94 to January 1, 1994 and $101 thereafter

J - Preferred Stock - Redemption Required

The redemption at $100 par value of 6,250 shares of Serial Preferred Stock, 10.875% Series 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 $109.75 to September 1, 1984 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 and series except ratably on all preferred shares according to their respective dividend rates.

K - Long Term Debt

The maturities and sinking fund requirements through 1988 for the aggregate amount of long term debt outstanding at December 31, 1983 are shown below. Of the annual sinking fund requirements, $3,690,000 may be satisfied by certifying additional mortgaged property.

1984	$49,101,000
1985	62,490,000
1986	75,825,000
1987	28,524,000
1988	25,888,000

Future sinking fund requirements have been anticipated by advance purchases of bonds to the extent of $2,221,000 and certification of property in the amount of $3,690,000.

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 $87,350,000 at December 31, 1983. 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, 1983 as well as $140,000 of non-interest bearing certificates of deposit included in temporary cash investments represent compensating balances.

M - Commitments and Contingencies

Construction expenditures for 1984 through 1987 are estimated to be $557 million. Estimated construction expenditures for this four year period include $48 million for completion of the 580-megawatt Unit 2 coal-fired generating station at the Pleasant Prairie Power Plant and $15 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. At December 31, 1983 construction work in progress includes $54,802,000 of company-financed expenditures relating to Edgewater Unit 5. In addition, approximately $48 million will be required for the expansion of the company's corporate headquarters and related parking structure. This project is expected to be completed in 1986.

WISCONSIN ELECTRIC POWER COMPANY

DIRECTORS

Frederick M. Belmore	*Charles S. McNeer
*Russell W. Britt	*Donald K. Mundt
Sol Burstein	John L. Murray
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 - Customer Relations
Carlyle W. Fay	Vice President - Nuclear Power
Russell A. Niles	Vice President - Division Operations
Huberto R. Platz	Vice President - Engineering and Construction
Jerry G. Remmel	Vice President and Treasurer
Richard E. Skogg	Vice President - Operating Services
John E. Speaker	Vice President - Communications
Kenneth E. Wolters	Vice President - System Operations
John H. Goetsch	Secretary
Richard R. Piltz	Controller
Nancy R. Noeske	Assistant Vice President
John W. Fleissner	Assistant Secretary
Gordon A. Willis	Assistant Treasurer

GENERAL OFFICES

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

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

May 17, 1984

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,

J. H. Goetsch
Secretary

Enclosures

cc: Shaw, Pittman, Potts & Trowbridge
Mr. Gerald Charnoff
1800 M Street N.W.
Washington, D.C. 20036

M004
1/1