

ITEM 6. SELECTED FINANCIAL DATA

Wisconsin Energy Corporation
CONSOLIDATED SELECTED FINANCIAL DATA

(Thousands of Dollars except for per share amounts)

Year Ended December 31	1994	1993*	1992*	1991*	1990*
Net income	180,868	190,135	171,239	190,125	188,092
Earnings per share of common stock (\$)	1.67	1.80	1.66	1.85	1.83
Dividends per share of common stock (\$)	1.396	1.341	1.285	1.223	1.157
Operating revenues					
Electric					
Gas	1,403,562	1,347,844	1,298,723	1,292,809	1,208,045
Steam	324,349	331,301	283,699	273,803	259,672
Gas	14,281	14,090	13,093	12,986	12,126
Total operating revenues	1,742,192	1,693,235	1,595,515	1,579,598	1,479,843
Total assets	4,408,259	4,270,592	3,788,955	3,533,745	3,397,038
Long-term debt and preferred stock-redemption required	1,283,686	1,300,781	1,289,082	1,175,417	1,066,907

Sales and Customers -- Utility

Electric					
Megawatt-hours sold	25,911,363	25,685,436	24,747,581	25,016,247	23,656,727
Customers (End of year)	944,855	932,285	919,466	907,871	896,393
Gas					
Therms delivered (thousands)	811,219	809,348*	772,036*	767,071*	727,534*
Customers (End of year)	347,080	336,571*	327,247*	317,891*	308,230*
Steam					
Pounds sold (millions)	2,395	2,376	2,284	2,282	2,213
Customers (End of year)	471	459	472	468	470

CONSOLIDATED QUARTERLY FINANCIAL DATA

(Thousands of Dollars except for per share amounts)

Three Months Ended	March		June	
	1994	1993*	1994	1993*
	Total operating revenues	509,681	463,571	400,340
Operating income	43,436	80,528	63,854	47,542
Net income	22,822	60,452	43,430	28,102
Earnings per share of common stock (\$)	0.21	0.58	0.40	0.27

Three Months Ended	September		December	
	1994	1993*	1994	1993*
	Total operating revenues	400,512	397,857	431,659
Operating income	71,248	63,976	84,735	73,390
Net income	51,490	46,424	63,126	55,157
Earnings per share of common stock (\$)	0.48	0.44	0.58	0.52

The quarterly results of operations are not directly comparable because of seasonal and other factors. See Management's Discussion and Analysis in Item 7 for further information.

* Restated to reflect the merger of Wisconsin Southern Gas Company, Inc. into Wisconsin Natural Gas Company effective on 1/1/94.

Electric Revenue, Kilowatt-Hour Sales and Customer Statistics

Year Ended December 31	1994	1993	1992	1991	1990
OPERATING REVENUES (\$000)					
Residential	\$ 484,627	\$ 472,903	\$ 441,240	\$ 444,542	\$ 407,675
Small commercial and industrial	406,043	386,736	372,213	363,906	347,796
Large commercial and industrial	398,179	380,482	381,083	372,768	347,723
Other retail	13,750	13,975	15,245	15,368	15,097
Resale - municipals	55,508	57,039	62,787	71,382	56,240
Total retail and municipals	1,358,107	1,311,135	1,272,568	1,267,966	1,184,441
Resale - public utilities	31,295	25,879	18,080	18,476	17,799
Total revenue from sales	1,389,402	1,337,014	1,290,648	1,286,442	1,202,240
Other operating revenue	14,160	10,830	8,075	6,357	5,805
Total Operating Revenues	\$1,403,562	\$1,347,844	\$1,298,723	\$1,292,809	\$1,208,045
KILOWATT-HOUR SALES (Millions)					
Residential	6,670	6,551	6,230	6,567	6,197
Small commercial and industrial	6,699	6,358	6,155	6,153	5,955
Large commercial and industrial	10,472	9,771	9,702	9,462	8,764
Other retail	189	196	217	226	232
Resale - municipals	1,415	1,580	1,779	1,935	1,834
Total retail and municipals	25,445	24,456	24,083	24,343	22,982
Resale - public utilities	1,466	1,229	665	673	575
Total Sales	26,911	25,685	24,748	25,016	23,557
NUMBER OF CUSTOMERS - Average					
Residential	845,745	835,685	824,544	814,078	803,829
Small commercial and industrial	88,765	87,351	85,990	84,540	83,176
Large commercial and industrial	674	675	670	654	654
Other	1,811	1,831	1,945	1,980	1,981
Total	937,995	925,542	913,149	901,262	889,591

Gas Revenue, Therms Delivered and Customer Statistics

Year Ended December 31	1994	1993*	1992*	1991*	1990*
OPERATING REVENUES (\$000)					
Residential	\$200,824	\$199,509	\$175,824	\$170,827	\$157,424
Commercial and Industrial	102,496	102,425	82,853	77,031	72,017
Interruptible and other	15,338	12,858	9,406	9,959	12,440
Total revenues from sales	318,658	314,792	268,083	257,817	241,881
Other operating revenue	5,691	16,509	15,616	15,986	17,791
Total Operating Revenues	\$324,349	\$331,301	\$283,699	\$273,803	\$259,672
THERMS DELIVERED (Thousands)					
Residential	323,913	322,444	309,968	308,980	282,189
Commercial and Industrial	159,205	202,549	183,588	176,707	163,511
Interruptible and other	47,457	34,608	24,710	26,442	33,901
Total Sales	570,586	559,601	518,256	512,129	479,601
Transportation of Customer Owned Gas	240,633	249,747	253,770	254,942	247,931
Total Delivered	811,219	809,348	772,036	767,071	727,531
NUMBER OF CUSTOMERS - Average					
Residential	311,288	302,355	293,437	284,728	275,950
Commercial and Industrial	28,526	27,871	27,291	26,536	25,650
Interruptible and other	340	356	376	404	421
Total	340,134	330,582	321,104	311,668	302,031
DEGREE DAYS (Milwaukee)					
Heating (Normal 7,661)	6,431	6,775	6,723	6,416	6,103
Cooling (Normal 626)	677	651	364	1,055	728

* Restated to reflect the merger of Wisconsin Southern into Wisconsin Natural effective on 1/1/94

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Earnings

Earnings per share of Wisconsin Energy's common stock in 1994 were \$1.67 compared with \$1.80 a share in 1993, a decrease of 7.2 percent. Earnings for the 12 months reflect a non-recurring charge of approximately \$73.9 million (\$45 million net of tax, or 42 cents a share) associated with the company's organizational restructuring program.

The charge primarily reflects the costs of severance and early retirement packages which are elements of a "revitalization" program designed to better position Wisconsin Energy in a changing energy marketplace. The company anticipates that the one-time restructuring charge, which was taken in the first quarter of 1994, will be offset by the end of 1995 through savings in operation and maintenance costs.

Excluding the non-recurring charge, earnings per share of common stock were \$2.09 for the 12 months ended December 31, 1994 compared with \$1.80 in 1993, an increase of 16.1 percent. Earnings reflect a 4.8 percent increase in electric kilowatt-hour sales and a 5.7 percent reduction in non-fuel operation and maintenance expenses. Electric sales increased primarily due to warmer weather during the summer of 1994 and additional economic activity in the company's service area. The reduction in non-fuel operation and maintenance expenses reflects, among other things, payroll-related savings as a result of workforce reductions, and lower expenditures made in connection with power plant renovation work as maintenance programs were completed.

Wisconsin Electric and Wisconsin Natural Revitalization

In response to increasing competitive pressures in the markets for electricity and natural gas, Wisconsin Electric and Wisconsin Natural have developed and are implementing a revitalization process to increase efficiencies and improve customer service.

Wisconsin Electric and Wisconsin Natural are "reengineering" and restructuring their organizations. The new structures consolidate many business functions and simplify work processes. Due to productivity improvements, staffing levels at Wisconsin Electric and Wisconsin Natural have been reduced; 403 employees elected to retire under an early retirement option and 651 employees have enrolled in severance packages. See Note J to the Financial Statements - Benefits Other Than Pensions, for additional information.

As part of the revitalization effort, Wisconsin Energy intends to merge Wisconsin Electric and Wisconsin Natural to form a single combined utility subsidiary. The proposed merger will improve customer service and reduce operating costs. The merger, which is anticipated to be effective by year-end 1995, is subject to a number of conditions, including requisite regulatory and other approvals. Wisconsin Electric and Wisconsin Natural filed a joint application on October 11, 1994, to obtain the PSCW's approval of the merger. Wisconsin Electric also filed an application to obtain the MPSC consent to assume Wisconsin Natural's liabilities in connection with the merger. Both approvals are expected by year-end 1995.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Cont'd)

Acquisition of Wisconsin Southern Gas Company, Inc.

Effective January 1, 1994, Wisconsin Southern was acquired by Wisconsin Energy through a merger of Wisconsin Southern into Wisconsin Natural. In the transaction, structured as a tax-free reorganization, all outstanding shares of Wisconsin Southern common stock were converted into 1,637,935 shares of Wisconsin Energy common stock, with fractional interests paid in cash, based on an exchange ratio of 1.6330 shares of Wisconsin Energy common stock for each outstanding share of Wisconsin Southern common stock. The merger was structured to qualify as a pooling of interests for accounting and financial reporting purposes. Accordingly, financial and statistical information for prior years has been restated to reflect the acquisition.

Wisconsin Southern was a gas utility engaged in the purchase, distribution, transportation and sale of natural gas for residential, commercial and industrial consumption in a service territory contiguous to Wisconsin Natural's service territory located in southeastern Wisconsin. Wisconsin Natural is Wisconsin's second largest gas distribution company.

Electric Sales and Revenues

Total electric sales of Wisconsin Electric, the principal subsidiary of Wisconsin Energy, detailed below by customer class, increased 4.8 percent in 1994 compared to 1993.

Electric Sales - Megawatt Hours	1994	1993	% Change
Residential	6,670,081	6,551,051	1.8
Small Commercial and Industrial	6,699,073	6,357,510	5.4
Large Commercial and Industrial	10,471,869	9,771,383	7.2
Other	1,603,741	1,776,061	(9.7)
Total Retail and Municipal	25,444,764	24,456,015	4.0
Resale-Utilities	1,466,599	1,229,421	19.3
Total Sales	26,911,363	25,685,436	4.8

Electric energy sales were positively impacted by warmer summer weather in 1994, which resulted in increased use of electricity for air conditioning and other cooling purposes, and increased economic activity. The increase in electric sales also reflects colder winter weather during the first quarter of 1994 and increased sales to the Empire and Tilden iron ore mines.

Electric energy sales to the Empire and Tilden iron ore mines, Wisconsin Electric's two largest customers, were 15.0 percent higher in 1994 compared to 1993. The increase is attributable to a five-week long mine strike during the third quarter of 1993 which reduced sales during 1993. Wisconsin Electric's contracts with the mines require the payment of a demand charge regardless of power usage which partially offset the impact of lost sales on 1993 revenues. Excluding the mines, sales to large commercial and industrial customers increased 5.1 percent in 1994. Sales to the mines represented 8.6 percent, 7.8 percent and 9.0 percent of total electric sales during 1994, 1993 and 1992, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Cont'd)

The 19.3 percent increase in the resale of energy to other utilities is attributable to the increased availability of Wisconsin Electric's power plants. This allowed Wisconsin Electric additional energy for external sales. The percentage change is not indicative of future sales growth in this customer class.

The 9.7 percent reduction in sales to the Other customer class, referred to in the table above, is largely the result of reductions in sales to WPPI, Wisconsin Electric's largest municipal customer consortium. WPPI has been reducing its purchases from Wisconsin Electric subsequent to acquiring generation capacity in 1990. Since that time, WPPI has expanded the use of its existing generation facilities and has installed additional capacity, further reducing its reliance on energy purchases from Wisconsin Electric. These sales reductions did not have a significant effect on earnings.

Total electric kilowatt-hour sales increased at a compound annual rate of 4.3 percent between the years 1992 and 1994, while electric revenues increased at a compound annual rate of 4.0 percent during this period. These increases reflect among other things, more favorable weather conditions in 1994 compared to 1992. The warmer than normal summer in 1994 contrasted sharply with the summer of 1992, the coolest since Wisconsin Electric began keeping records in 1948.

Electric Operation and Maintenance Expenses

Total electric operating expenses, excluding income taxes, depreciation and the non-recurring revitalization charge, decreased \$17 million in 1994 compared to 1993. The decrease largely reflects the payroll-related savings as a result of workforce reductions referred to above and lower expenditures made in connection with power plant renovation work as maintenance programs were completed. These decreases were partially offset by expenses associated with the implementation of the revitalization program and growth in conservation-related expenses associated with improving the efficiency of customers' electric energy usage. Operating expenses, excluding income taxes, depreciation and the non-recurring charge, have remained relatively flat over the three-year period ended December 31, 1994.

Gas Sales and Revenues

Total gas therms delivered by the company's gas utility subsidiary, Wisconsin Natural, were flat in 1994 compared to 1993. Increased gas deliveries in the first quarter of 1994, compared to the same period in 1993, due to colder winter weather, were offset by a decline in deliveries in the fourth quarter due to unseasonably mild weather. Financial and statistical information has been restated where appropriate to reflect the January 1, 1994, acquisition of Wisconsin Southern.

This page intentionally left blank
for printing purposes.

013245302

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Cont'd)

Therms Delivered - Thousands	1994	1993	% Change
Residential	323,913	322,444	0.5
Commercial and Industrial	199,206	202,549	(1.7)
Interruptible	47,467	34,608	37.2
Total Sales	570,586	559,601	2.0
Transported Customer Owned Gas	240,633	249,747	(3.6)
Total Gas Delivered	811,219	809,348	0.2

Gas revenues decreased \$7 million, or 2.1 percent, in 1994 compared to 1993. This reflects the flat gas deliveries and reduced purchased gas costs.

Wisconsin Natural transports gas for its customers who purchase gas directly from other suppliers, accounting for 29.7 percent of Wisconsin Natural's total therms delivered during 1994, 30.9 percent during 1993 and 32.9 percent during 1992. Rates charged for transportation services are designed to recover the same margin as gas sold directly by Wisconsin Natural.

As a result of FERC Order 636, the number of gas supply choices now available to Wisconsin Natural has expanded, but the responsibility for the selection and administration of the proper mix and level of services has commensurately increased. Wisconsin Natural arranges for its own gas supply under contracts with terms of various lengths. Changes in the cost of natural gas purchased at market prices are passed through to customers via Wisconsin Natural's purchased gas adjustment clause.

Total gas therms delivered increased at a compound annual rate of 2.5 percent from 1992 to 1994, with gas revenues increasing at a compound annual rate of 6.9 percent. The increase in revenues reflects the recovery of increased purchased gas costs, the impact of increased gas deliveries over this period and small rate increases during 1992 and 1993.

Gas Operating Expenses

The \$15 million decrease in the cost of gas sold during 1994 compared to 1993 reflects the slight increase in natural gas therm sales offset by the lower average delivered cost of gas during 1994. Other operation expenses were \$3 million lower during 1994 compared to 1993 largely reflecting payroll related savings as a result of workforce reductions.

Since 1992, the cost of gas sold increased at a compound annual rate of 5.9 percent. This increase reflects higher therm sales, which increased at an annual compound rate of 4.9 percent during this same period, and a 1.0 percent compound annual increase in the average delivered cost of gas sold.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Cont'd)

Gas operating expenses, excluding income taxes, depreciation and the non-recurring revitalization charge, increased at a compound annual rate of 5.5 percent since 1992, reflecting the aforementioned increases in the cost of gas sold and a 5.5 percent compound annual increase in Other Operation expenses during this period. Other Operation expenses reflect an increase in postretirement benefit costs associated with the adoption in 1993 of Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions, and growth in conservation related expenses associated with improving the efficiency of customers' use of natural gas.

Other Items

Deferred Income Taxes decreased \$38 million during 1994 compared to 1993, due in part to tax matters related to the timing of payments made in connection with the severance and early retirement packages associated with the company's organizational restructuring program. Deferred Income Taxes also reflect a prior period reclassification between current and deferred income taxes.

Other Interest increased \$5 million during 1994 compared to 1993 reflecting increased short-term debt balances, primarily at Wisconsin Electric. Interest charges on long-term debt increased \$13 million during 1993 compared to 1992 largely due to the additional debt issued by the utility subsidiaries to finance their construction programs and the amortization of premiums associated with the debt securities refinanced during 1992 and 1993.

With expectations of low-to-moderate inflation and future operating cost reductions discussed above, Wisconsin Electric and Wisconsin Natural do not believe the impact of inflation will have a material effect on their future results of operations.

Electric and Gas Sales Outlook

Assuming moderate growth in the service territory economy and normal weather, Wisconsin Electric presently anticipates electric kilowatt-hour sales to grow at a compound annual rate of approximately 1.0 percent over the five-year period ending December 31, 1999. Including the sales projections of the former Wisconsin Southern, which was acquired and merged into Wisconsin Natural effective January 1, 1994 (see "Acquisition of Wisconsin Southern Gas Company, Inc."), Wisconsin Natural forecasts therm deliveries of natural gas to grow at a compound annual rate of approximately 2.2 percent over the same five-year period. These forecasts are subject to a number of variables, including the economy and weather, which may affect the actual growth in sales.

Rates and Regulatory Matters

The table below summarizes the projected annual revenue impact of recent rate changes authorized by regulatory commissions for the electric and gas subsidiaries of the company based on the sales projections utilized by these commissions in setting rates. The PSCW regulates Wisconsin retail electric, steam and natural gas rates, while the FERC regulates wholesale electric

0132
453

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Cont'd)

rates. The MPSC regulates retail electric rates in Michigan. The PSCW has discontinued the practice of conducting annual rate case proceedings, replacing it with a new schedule which calls for future rate cases to be conducted once every two years.

In support of its goal to become the lowest-cost energy provider in the region and in light of the operating cost reductions expected from the reengineering process discussed above, Wisconsin Electric did not seek an increase in rates for 1994 or 1995.

Company/Service	Revenue Increase (Decrease)	Percent Change in Rates	Effective Date
Wisconsin Electric			
Retail electric, WI	\$ 26,655,000	2.3	02/17/93
Steam heating	505,000	3.5	02/17/93
Wholesale electric	6,000,000	10.6	06/09/93
Retail electric, MI	1,366,000	4.3	07/09/93
Fuel electric, WI	(8,596,000)*	(0.9)	11/05/93
Fuel electric, WI	(16,179,000)	(1.3)	08/04/94
Wisconsin Natural			
Natural gas	\$ 9,172,000	3.3	09/02/93

* The 1993 fuel credit was eliminated 1/1/94 by PSCW Order.

Under the Wisconsin retail electric fuel adjustment procedure, retail electric rates may be adjusted, on a prospective basis, if cumulative fuel and purchased power costs, when compared to the costs projected in the retail electric rate proceeding, deviate from a prescribed range and are expected to continue to be above or below that range. In the case of Wisconsin Natural, differences between the test year estimate and the actual cost of purchased gas are accounted for through a purchased gas adjustment clause.

On September 8, 1994, the PSCW issued a notice that it will conduct an investigation into the state of the electric utility industry in Wisconsin, particularly its institutional structure and regulatory regime, in order to evaluate what changes would be beneficial for Wisconsin. The notice states that this investigation may result in profound and fundamental changes to the nature and regulation of the electric utility industry in Wisconsin. It is the PSCW's stated intention that this proceeding will establish criteria and direction for utilities to incorporate into any proposals involving structural or regulatory changes they may put forward. The PSCW also intends that the proceeding reflect input from all those having a stake in Wisconsin's electric utility industry, including large and small retail customers; wholesale customers; utility management; utility securities holders; independent power producers; purveyors of demand-side options and renewable resources; representatives of the environmental, financial, academic, labor, small business and governmental communities; and elected representatives. The PSCW invited interested persons to submit comments as to appropriate objectives for regulation of the electric utility industry and the utility structures and regulatory approaches likely to provide the best balance of such objectives.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Cont'd)

On November 1, 1994, Wisconsin Electric submitted its comments to the PSCW in a paper describing a framework for a restructured industry. Wisconsin Electric's view of industry restructuring would seek to achieve the benefits of competition while maintaining reliability of electric service, controlling costs during the transition to the envisioned end-state, and protecting the environment with increasing vigor. Today's various electric utility functions would be split into two major categories--natural monopolies and competitive entities. The natural monopolies are functions where a single entity can provide the lowest cost. The competitive entities would perform functions where competition can provide the lowest cost. The natural monopolies would be re-regulated so the appropriate incentives exist to provide electricity at reasonable prices. The competitive entities would eventually see an elimination of traditional regulation.

In Wisconsin Electric's plan, the re-regulated natural monopolies are the transmission and distribution functions. Re-regulation of these entities should involve some form of price cap and performance-standard operation rules. In the new structure, the FERC would regulate the transmission systems through a regional transmission group to ensure open access, comparable pricing, comparable service and adequate cost recovery. The PSCW would regulate the distribution function for reasonable price, reliability, public safety and customer satisfaction. The competitive entities in the Wisconsin Electric model are the generation, customer service and energy merchant functions.

Initial question and answer sessions were held November 28-29, 1994. At a meeting on January 24, 1995, the PSCW approved the establishment of an advisory committee that will examine all aspects of electrical service and the electric utility industry and suggest which functions should be performed by a competitive market. The PSCW established a timetable which would have a final committee report available to the Wisconsin Legislature by the end of 1995.

The PSCW also continued a generic investigation of the natural gas industry in Wisconsin and addressed the extent to which traditional regulation should be replaced with a different approach. In conjunction with this generic investigation, the PSCW staff is reviewing the use of the current purchased gas adjustment ("PGA") mechanism which is designed to pass on to gas customers increases or decreases in the cost of natural gas purchased for resale. A separate docket has been established to review the PGA. Wisconsin Natural is participating in these PSCW investigations.

Wisconsin Energy's principal subsidiaries, Wisconsin Electric and Wisconsin Natural, operate under utility rates which are subject to the approval of the PSCW, MPSC and FERC. Such rates are designed to recover the cost of service and provide a reasonable return to investors. Developing competitive pressures in the utility industry may result in future utility rates which are based upon factors other than the traditional original cost of investment. In such a situation, continued deferral of certain regulatory asset and liability amounts on the utilities' books may no longer be appropriate as allowed under Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation. At this time, Wisconsin Energy is unable to predict whether any adjustments to regulatory assets and liabilities will occur in the future. See Note A to the Financial Statements - Summary of Significant Accounting Policies - Deferred Regulatory Assets and Liabilities, for further information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Cont'd)

LIQUIDITY AND CAPITAL RESOURCES

Investing Activities

Wisconsin Energy invested \$1,211 million in its businesses during the three years ended December 31, 1994. The investments made during this three-year period include construction expenditures for new or improved facilities totaling \$984 million, net capitalized conservation expenditures of \$87 million, purchases of nuclear fuel at \$64 million and payments to an external trust for the eventual decommissioning of Wisconsin Electric's Point Beach Nuclear Plant totaling \$42 million.

During the second quarter of 1994, Wisconsin Electric placed in service the last two units, or approximately 150 megawatts of capacity, at its Concord Generating Station, a four unit 300 megawatt natural gas-fired combustion turbine facility designed to meet peak demand requirements. The first two units were completed in 1993. Capital expenditures of \$6 million, \$35 million and \$47 million were made during 1994, 1993 and 1992, respectively, for construction of this facility. Total capital costs of the Concord facility were approximately \$107 million.

Additionally, during 1994, Wisconsin Electric continued construction of the new Paris Generating Station, a four unit, approximately 300 megawatt natural gas-fired combustion turbine facility intended to meet growing peak demand requirements. This generating station, which is expected to have all four units in service during the summer of 1995, is currently estimated to cost \$104 million. Capital expenditures of \$54 million and \$28 million were made during 1994 and 1993, respectively, for construction of this facility.

Wisconsin Electric completed the \$107 million renovation project at its Port Washington Power Plant in 1994. Unit 4, the last of four units to be renovated, returned to service in July. The renovation work, which began in September 1991, restored approximately 320 megawatts of capacity and included the installation of additional emission control equipment. Expenditures totaling \$12 million, \$36 million and \$43 million were made during 1994, 1993 and 1992, respectively.

Cash Provided by Operating and Financing Activities

During the three years ended December 31, 1994, cash provided by operating activities totaled \$1,203 million. During this period, internal sources of funds, after the payment of dividends, provided 64 percent of the company's capital requirements.

Financing activities during the three-year period ended December 31, 1994, included the issuance of \$1,053 million of long-term debt, principally to refinance higher coupon debt, the addition of \$167 million of common equity from the issuance of new shares through the company's stock plans and the retirement of \$73 million of preferred stock. No preferred stock was issued during this period. Additionally, during the three-year period ended December 31, 1994, the company retired a total of \$920 million of long-term debt and increased short-term debt by \$155 million. Dividends on the company's common stock were \$151 million, \$141 million, and \$132 million, during 1994, 1993 and 1992, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Cont'd)

During 1993, Wisconsin Electric issued five new series of First Mortgage Bonds aggregating \$350 million in principal amount, the proceeds of which were used to redeem \$284.3 million principal amount of four outstanding series of First Mortgage Bonds and 626,500 shares of Wisconsin Electric's 6.75% Series Preferred Stock.

During 1992, Wisconsin Electric and Wisconsin Natural issued seven new series of First Mortgage Bonds and two series of Debentures, the proceeds of which provided \$476 million principal amount to redeem 14 outstanding series of higher coupon First Mortgage Bonds and \$155 million of new capital for the utility subsidiaries.

These refunding transactions are expected to result in approximately \$194 million in savings over the lives of the new debt issues. Depending on market conditions and other factors, additional debt refundings may occur.

See Note A to the Financial Statements - Summary of Significant Accounting Policies - Restrictions for a discussion of various limitations on the ability of the company's utility subsidiaries to transfer funds to Wisconsin Energy.

Capital Structure

The company's capitalization at December 31 is shown as follows:

	1994	1993
Common Equity	52.2%	51.6%
Preferred Stock	0.9	1.1
Long-Term Debt	39.4	40.9
(including current maturities)	7.5	6.4
Short-Term Debt	100.0%	100.0%

Compared to the electric utility industry generally, the company has maintained a relatively high ratio of common equity to total capitalization and low debt and preferred stock ratios. This conservative capital structure, along with strong bond ratings (Wisconsin Electric currently has ratings of AA+ by Standard & Poor's Corporation, Aa2 by Moody's Investors Service and AA+ by Duff & Phelps Inc.) and internal cash generation has provided, and should continue to provide, the company with access to the capital markets when necessary to finance the anticipated growth in the company's utility businesses. At year-end 1994, the company had \$209 million of unused lines of bank credit, \$9 million of cash and cash equivalents, \$285 million of short-term debt (including long-term debt due currently) and \$21 million of construction funds held by trustees.

0
1
3
2
4
5
3
5
0

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Cont'd)

Capital Requirements 1995-1999

The estimated capital requirements for the company's utility subsidiaries for the years 1995-1999 are outlined in the table below. The construction expenditures have decreased significantly from the estimates reported previously in the 1993 Annual Report to Stockholders. The primary reason for the decrease is the revitalization initiative which will reduce the cost to design, build and maintain company facilities.

	1995	1996	1997	1998	1999
	----	----	----	----	----
	(Millions of Dollars)				
Construction	\$248	\$225	\$186	\$176	\$174
Conservation	14	13	13	14	14
Bond Maturities and Refinancings	11	31	166	61	92
Changes in Fuel Inventories	(2)	8	1	5	(2)
Decommissioning Trust Payments	20	30	32	35	37
Total	\$291	\$307	\$398	\$291	\$315

In January 1994, a coordinated state-wide plan for meeting future electricity needs of Wisconsin customers was filed with the PSCW in the Advance Plan 7 Docket. In the Advance Plan process, Wisconsin Electric, in conjunction with the other regulated electric utilities located in Wisconsin, is required to file long-term forecasts of resource requirements, such as the need for generation and transmission facilities, along with plans to meet those requirements, including the use of energy management and conservation.

In order to reliably meet its forecasted growth in demand, Wisconsin Electric employs a least-cost integrated planning process which includes renovation of existing power plants, promotion of cost-effective conservation and load management options, development of renewable energy sources, purchases of power and construction of new company-owned generation facilities.

Investments in demand-side management programs have reduced and delayed the need to add new generating capacity but have not eliminated the need entirely. Purchases of power from other utilities and transmission system upgrades will also combine to help delay the need to install some new generating capacity in the future. However, in order to serve the near-term growth in peak demand requirements, Wisconsin Electric has received PSCW approval and is currently in various stages of adding new capacity as previously described under "Investing Activities".

Finally, Wisconsin Electric's Advance Plan 7 filing indicates a need for additional peaking capacity after the turn of the century, along with an anticipated need for additional intermediate-load capacity during the 2000 to 2010 time period. Wisconsin Electric's next base load power plant is not expected to be placed in service until after 2010.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Cont'd)

The addition of new generating units requires approval from various regulatory agencies, including the PSCW, the EPA and the DNR. All generating facilities proposed by Wisconsin Electric will meet or exceed the applicable federal and state environmental requirements.

In 1993, the PSCW, after conducting a competitive bidding process, issued an order selecting a proposal submitted by an unaffiliated IPP to construct a generation facility to meet a portion of Wisconsin Electric's anticipated increase in system supply needs. In accordance with the PSCW Order, Wisconsin Electric subsequently signed a long-term agreement to purchase electricity from the proposed facility. The agreement is contingent upon the facility being completed and going into operation, which at this time is planned for mid-1996. A number of parties have filed petitions for judicial review of this PSCW Order, taking the position that the Order should be set aside on various legal grounds. In a decision dated March 17, 1995, the Dane County Circuit Court affirmed the PSCW's selection of the LS Power project and the PSCW's approval of the power purchase agreement entered into by Wisconsin Electric and LSP-Whitewater L.P., the project's developer. The Court remanded to the PSCW for further proceedings the PSCW's selection of Wisconsin Electric's Kimberly project as the conditional second place project to proceed if the LS Power project does not.

Prior to the PSCW selection of the IPP's generation facility, Wisconsin Electric had proposed to construct its own 220 megawatt cogeneration facility in Kimberly, Wisconsin, which was intended to provide process steam to Repap Wisconsin, Inc. ("Repap") starting in mid-1995. Wisconsin Electric had made expenditures toward the Kimberly facility amounting to approximately \$70 million. These expenditures were primarily associated with the procurement of combustion turbines, the steam turbine and the heat recovery boiler in order to achieve the in-service dates as agreed to in a steam service contract with Repap. Wisconsin Electric is currently evaluating its options regarding its Kimberly Cogeneration Facility investment. The equipment procured to date is a technology of natural gas-fired combined cycle generation equipment that is marketed worldwide. Wisconsin Electric believes that a market for the equipment exists and is investigating opportunities to sell the equipment or to use it in another power project. At this time, Wisconsin Electric does not believe that the PSCW's selection of an IPP proposal will have a material adverse effect on its financial condition.

The PSCW has approved Wisconsin Electric's application to utilize dry storage for spent nuclear fuel generated at Point Beach. The decision completed a multi-year state review of the Wisconsin Electric proposal. The storage system to be used at Point Beach also has been certified by the NRC after a four-year technical review. Dry cask storage at Point Beach will use a two-container system made of steel and reinforced concrete. Capital costs associated with this facility are estimated at \$6.5 million and are included in the above forecast. In March 1995 separate petitions were filed by intervenors in Dane County Circuit Court and Fond du Lac County Circuit Court. The Dane County petition seeks reversal of the order and a remand to the PSCW directing it to deny Wisconsin Electric's request for authorization to construct the dry cask facility, or in the alternative, to correct the alleged errors in the PSCW's order. No specific relief is identified in the Fond du Lac County petition; however, numerous grounds of error are alleged. Wisconsin Electric intends to fully participate in both judicial review proceedings and to vigorously oppose the petitions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Cont'd)

The temporary dry storage facility is necessary because the spent fuel pool inside the plant is becoming full. The plant would be forced to shut down by 1998 without additional on-site storage capacity. The dry storage facility will be used until the DOE takes ownership of the spent fuel. While the DOE and the operators of nuclear power facilities have a contract mandated by federal law that calls for the DOE to begin accepting fuel in 1998, the government is not in a position to meet its commitment. If this commitment is not met, Wisconsin Electric will need to construct additional casks and will seek PSCW approval to do so.

In a related matter, Wisconsin Electric filed with the PSCW for a Certificate of Authority to proceed with the planned 1996 replacement of the Unit 2 steam generators at Point Beach. In 1984, Wisconsin Electric replaced the Unit 1 steam generators. Estimated at a cost of \$119 million, which is also included in the above forecast, the Unit 2 project would allow for its operation until the expiration of its operating license in 2013. Without the replacement of the steam generators, it is believed the unit would not be able to operate to the end of its current license. The PSCW deferred a decision on Wisconsin Electric's request to replace Unit 2 steam generators until early 1996, but directed Wisconsin Electric to make arrangements with the fabricator of the new steam generators to allow replacement to proceed promptly if authorized by the PSCW.

Capital Resources

During the five-year forecast period ending December 31, 1999, the utility subsidiaries expect internal sources of funds from operations, after dividends to the company, to provide about 79 percent of the utility capital requirements. The remaining utility cash requirements are expected to be met through the reduction of existing cash investments and construction funds on deposit with trustees, short-term borrowings, the issuance of long-term debt and capital contributions from Wisconsin Energy.

Beginning June 1, 1992, Wisconsin Energy began issuing new shares of common stock through the company's stock plans. During the period of December 1, 1988 to June 1, 1992, shares required for these plans were purchased on the open market. Cash investments and reinvested dividends aggregating \$50.5 million were used to purchase 1,981,602 new issue shares during 1994.

Exclusive of debt refundings, utility debt issues of \$130 million are anticipated in 1995 and \$140 million in 1997.

Environmental Issues

The 1990 Amendments to the Clean Air Act mandate significant nation-wide reductions in SO₂ and NO_x emissions to address acid rain and ground level ozone control requirements.

In 1994, Wisconsin Electric completed the installation of continuous emission monitors at all of its facilities and installed low NO_x burners on one boiler at its Oak Creek Power Plant and two boilers at its Valley Power Plant. These actions, along with the burning of low sulfur coal and the installation of low NO_x burners on other boilers at Oak Creek and Valley Power Plants in early 1995, meet the requirements that became effective January 1, 1995. To date, approximately \$31 million has been spent on Clean Air Act compliance.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Cont'd)

Wisconsin Electric elected to voluntarily bring the Valley and Port Washington Power Plants under jurisdiction of the NO_x and SO₂ requirements of the Clean Air Act, five years earlier than mandated. This was possible because these units meet the more stringent phase II emissions standards today.

Wisconsin Electric projects a surplus of SO₂ emission allowances and is seeking additional allowances available as a result of energy conservation programs. As an integral component of its least-cost plan, Wisconsin Electric is active in SO₂ allowance trading. Revenue from the sale of allowances is being used to offset future potential rate increases.

Additional fuel switching and the installation of NO_x controls at various power plants will be required to meet the second phase of reduction requirements that become effective January 1, 2000. These costs, along with additional operating expenses, are not expected to exceed \$54 million based on today's cost.

Like numerous other utilities, Wisconsin Natural is investigating the remediation of a number of former manufactured gas plant sites. Operations at these manufactured gas sites ceased over 40 years ago with remediation activities having been conducted at certain of these sites, while other sites are scheduled for investigation. With estimated remediation costs of approximately \$12 million during the next five-year period, based on today's costs, remediation activities are not expected to have a material adverse impact on Wisconsin Energy's financial condition.

Wisconsin Electric aggressively seeks environmentally acceptable, beneficial uses of its combustion byproducts. However, ash materials have been, and to some degree, continue to be disposed in company-owned, licensed landfills. Some early designed and constructed landfills may allow the release of low levels of constituents resulting in the need for various levels of remediation. These costs are included in the environmental operating and maintenance costs for Wisconsin Electric.

Nonutility Investments

The company's nonutility assets amounted to \$206 million at December 31, 1994. The company currently anticipates making additional nonutility investments from time to time. For additional information, see Note M - Information by Segments of Business in the Notes to Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The "Consolidated Quarterly Financial Data" in Item 6 on page 32 is incorporated herein by reference.

0
1
3
2
4
5
3
0
7

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - (Cont'd)

WISCONSIN ENERGY CORPORATION
 CONSOLIDATED INCOME STATEMENT
 Year Ended December 31

	1994 ----	1993 ----	1992 ----
	(Thousands of Dollars)		
Operating Revenues			
Electric	\$1,403,562	\$1,347,844	\$1,298,723
Gas	324,349	331,301	283,699
Steam	14,281	14,090	13,093
Total Operating Revenues	1,742,192	1,693,235	1,595,515
Operating Expenses			
Fuel (Note E)	285,862	263,385	266,716
Purchased power	42,623	54,880	63,745
Cost of gas sold	199,511	214,132	177,947
Other operation expenses	399,011	399,135	367,020
Maintenance	124,602	156,085	150,462
Revitalization	73,900	-	-
Depreciation (Note D)	177,614	167,066	164,367
Taxes other than income taxes	76,035	74,653	73,714
Federal income tax (Note C)	104,725	74,463	67,804
State income tax (Note C)	24,756	15,530	16,524
Deferred income taxes - net (Note C)	(25,095)	13,096	9,979
Investment tax credit - net (Note C)	(4,625)	(4,626)	(4,469)
Total Operating Expenses	1,478,919	1,427,799	1,353,809
Operating Income	263,273	265,436	241,706
Other Income and Deductions			
Interest income	17,484	18,809	17,899
Allowance for other funds used during construction (Note F)	4,985	8,457	6,968
Miscellaneous - net	3,318	4,564	2,077
Federal income tax (Note C)	2,113	994	77
State income tax (Note C)	(940)	(751)	(885)
Total Other Income and Deductions	26,965	32,073	26,136
Income Before Interest Charges and Preferred Dividend	290,238	297,509	267,842
Interest Charges			
Long-term debt	103,897	104,859	91,464
Other interest	9,206	4,356	4,330
Allowance for borrowed funds used during construction (Note F)	(5,084)	(6,218)	(5,107)
Total Interest Charges	108,019	102,997	90,687
Preferred Dividend Requirement of Subsidiary	1,351	4,377	5,916
Net Income	\$180,858	\$190,135	\$171,239
Average Number of Shares of Common Stock Outstanding (Thousands)	108,025	105,878	103,382
Earnings Per Share of Common Stock	\$1.67	\$1.80	\$1.66

The notes are an integral part of the financial statements.

WISCONSIN ENERGY CORPORATION
 CONSOLIDATED STATEMENT OF CASH FLOWS
 Year Ended December 31

	1994	1993	1992
	(Thousands of Dollars)		
Operating Activities			
Net income			
Reconciliation to cash	\$180,068	\$190,135	\$171,239
Depreciation	177,614	167,066	164,367
Nuclear fuel expense - amortization	21,437	21,356	20,818
Conservation expense - amortization	20,910	19,254	13,009
Debt premium, discount & expense - amortization	14,405	13,647	5,182
Revitalization - net	43,860	-	-
Deferred income taxes - net	(25,095)	13,096	9,979
Investment tax credit - net	(4,625)	(4,626)	(4,469)
Allowance for other funds used during construction	(4,985)	(3,457)	(6,958)
Change in - Accounts receivable	11,912	(22,691)	10,069
Inventories	11,455	(11,186)	(9,637)
Accounts payable	(21,343)	9,543	15,993
Other current assets	(9,897)	985	(14,387)
Other current liabilities	9,509	19,184	(6,792)
Other	(9,715)	1,570	11,663
Cash Provided by Operating Activities	416,310	405,286	381,071
Investing Activities			
Construction expenditures	(295,769)	(354,810)	(323,387)
Allowance for borrowed funds used during construction	(5,684)	(6,218)	(5,107)
Nuclear fuel	(25,351)	(20,016)	(17,709)
Nuclear decommissioning trust	(19,139)	(11,371)	(20,212)
Conservation investments - net	(20,823)	(35,252)	(31,687)
Other	(6,519)	865	(11,661)
Cash Used in Investing Activities	(364,684)	(436,802)	(409,183)
Financing Activities			
Sale of - Common Stock	50,494	61,460	54,546
Long-term debt	32,474	378,649	641,392
Retirement of - Preferred stock	(5,250)	(65,504)	(2,035)
Long-term debt	(35,434)	(333,192)	(551,588)
Change in short-term debt	44,769	85,079	24,688
Dividends on stock - common	(150,758)	(140,676)	(131,752)
Cash Provided by (Used in) Financing Activities	(63,655)	(14,384)	35,251
Change in Cash and Cash Equivalents	<u>\$(12,029)</u>	<u>\$(45,900)</u>	<u>\$ 7,139</u>
Supplemental Information			
Cash Paid For			
Interest (net of amount capitalized)	\$ 85,619	\$ 85,717	\$ 89,110
Income taxes	145,883	99,437	90,236

The notes are an integral part of the financial statements

WISCONSIN ENERGY CORPORATION

CONSOLIDATED BALANCE SHEET
December 31

ASSETS

	1994	1993
	----	----
	(Thousands of Dollars)	
Utility Plant		
Electric	\$4,304,925	\$4,079,794
Gas	467,732	443,643
Steam	40,103	39,113
	-----	-----
Accumulated provision for depreciation	4,812,760 (2,134,469)	4,562,550 (1,989,357)
	-----	-----
Construction work in progress	2,678,291	2,573,193
Nuclear fuel - net (Note E)	205,835 56,606	209,644 52,665
	-----	-----
Net Utility Plant	2,940,732	2,835,502
	-----	-----
Other Property and Investments		
Nuclear decommissioning trust fund (Note E)	226,805	214,421
Conservation investments	138,489	136,995
Nonutility property - net	94,799	86,668
Other	136,626	118,402
	-----	-----
Total Other Property and Investments	596,719	556,486
	-----	-----
Current Assets		
Cash and cash equivalents	8,976	21,005
Accounts receivable, net of allowance for doubtful accounts - \$12,078 and \$8,410	114,657	126,569
Accrued utility revenues	128,107	128,459
Fossil fuel (Note A)	88,587	97,847
Materials and supplies (at average cost)	70,359	72,554
Prepayments	61,232	51,656
Other	7,040	6,367
	-----	-----
Total Current Assets	478,958	504,457
	-----	-----
Deferred Charges and Other Assets		
Accumulated deferred income taxes (Note C)	139,927	114,154
Deferred regulatory assets (Note A)	197,103	200,649
Other	54,820	59,344
	-----	-----
Total Deferred Charges and Other Assets	391,850	374,147
	-----	-----
Total Assets	\$4,408,259	\$4,270,592
	=====	=====

The notes are an integral part of the financial statements.

WISCONSIN ENERGY CORPORATION
CONSOLIDATED BALANCE SHEET
December 31

CAPITALIZATION and LIABILITIES

	1994	1993
	-----	-----
	(Thousands of Dollars)	
Capitalization (See Capitalization Statement)		
Common stock equity	\$1,744,566	\$1,663,912
Preferred stock - redemption not required	30,451	30,451
Preferred stock - redemption required	-	5,250
Long-term debt (Note G)	1,283,686	1,295,531
Total Capitalization	3,058,703	2,995,144
Current Liabilities		
Long-term debt due currently (Note G)	32,531	22,272
Notes payable (Note K)	252,055	207,286
Accounts payable	91,795	113,138
Payroll and vacation accrued	26,507	29,157
Taxes accrued - income and other	18,250	17,443
Interest accrued	23,477	23,377
Other	29,822	18,570
Total Current Liabilities	474,437	431,243
Deferred Credits and Other Liabilities		
Accumulated deferred income taxes (Note C)	475,541	477,595
Accumulated deferred investment tax credits	94,154	98,779
Deferred regulatory liabilities (Note A)	171,599	180,401
Other	133,825	87,430
Total Deferred Credits and Other Liabilities	875,119	844,205
Commitments and Contingencies (Note L)		
Total Capitalization and Liabilities	\$4,408,259	\$4,270,592

The notes are an integral part of the financial statements.

WISCONSIN ENERGY CORPORATION
CONSOLIDATED CAPITALIZATION STATEMENT
December 31

	1994 ----	1993 ----
	(Thousands of Dollars)	
Common Stock Equity (See Common Stock Equity Statement)		
Common stock - \$.01 par value; authorized 325,000,000 shares; outstanding - 108,939,769 and 106,958,167 shares	\$ 1,089	\$ 1,069
Other paid in capital	624,568	574,077
Retained earnings	1,118,909	1,088,766
Total Common Stock Equity	1,744,566	1,663,912
Preferred Stock - Wisconsin Electric Power Company, Cumulative Six Per Cent. Preferred Stock - \$100 par value; authorized 45,000 shares; outstanding - 44,508 shares		
Serial preferred stock - \$100 par value; authorized 2,360,000 shares; outstanding - 3.60% Series - 260,000 shares	4,451	4,451
Total Preferred Stock - Redemption Not Required (Note H)	26,000	26,000
6.75% Series - 0 and 52,500 shares	30,451	30,451
Total Preferred Stock - Redemption Required (Note H)	-	5,250
	-	5,250
Long-Term Debt		
First mortgage bonds		
Series Due 1994 1993 Series Due 1994 1993		
Wisconsin Electric Power Company		
4-1/2% 1996 \$ 30,000 \$ 30,000	7-3/4% 2023 100,000 100,000	
5-7/8% 1997 130,000 130,000	7.05 % 2024 60,000 60,000	
5-1/8% 1998 60,000 60,000	9-1/8% 2024 3,443 3,443	
6.10 % 1999-2008 25,000 25,000	8-3/8% 2026 100,000 100,000	
6.25 % 1999-2008 1,000 1,000	7.70 % 2027 200,000 200,000	
6-1/2% 1999 40,000 40,000	Wisconsin Natural Gas Company	
6-5/8% 1999 51,000 51,000	5-5/8% 1995 10,000 10,000	
6.45 % 2004 12,000 12,000	9-5/8% 1995 - 403	
7-1/4% 2004 140,000 140,000	11.0 % 1995 - 480	
6.45 % 2006 4,000 4,000	6-5/8% 1997 10,000 10,000	
6.50 % 2007-2009 10,000 10,000	10-1/4% 1998 - 2,860	
9-3/4% 2015 46,350 46,350	9.47 % 2006 - 7,000	
7-1/8% 2016 100,000 100,000	9-1/4% 2016 - 3,000	
6.85% 2021 9,000 9,000		
	1,141,793	1,155,536
Debentures (unsecured)		
Wisconsin Natural Gas Company - 6-1/8% Series due 1997	25,000	25,000
10-1/4% Series due 1998	2,290	-
9.47 % Series due 2006	7,000	-
8-1/4% Series due 2022	25,000	25,000
Notes (unsecured)		
Wisconsin Michigan Investment Corporation - 6.83% due 1997	5,000	5,000
5.80% due 1998	7,000	7,000
6.66% due 2003	10,600	10,600
WMF Corp. - 9.1% due 2001	3,705	4,070
Wisconsin Electric Power Company - Variable rate due 2016	67,000	67,000
Obligations under capital lease - Wisconsin Electric Power Company (Note E)	43,696	41,870
Unamortized discount - net	(21,867)	(23,273)
Long-term debt due currently	(32,531)	(22,272)
Total Long-Term Debt (Note G)	1,283,686	1,295,531
Total Capitalization	\$3,058,703	\$2,995,144

The notes are an integral part of the financial statements.

WISCONSIN ENERGY CORPORATION
CONSOLIDATED COMMON STOCK EQUITY STATEMENT

	Common Stock Shares	(Thousands of Dollars)			Total
		Common Stock \$.01 Par Value	Other Paid In Capital	Retained Earnings	
Balance - December 31, 1991	102,674,827	\$1,026	\$460,541	\$1,000,182	\$1,461,949
Net income				171,239	171,239
Common stock cash dividends \$1.285 per share				(131,752)	(131,752)
Sale of common stock	2,055,698	21	54,770	(245)	54,546
Other			65		65
Balance - December 31, 1992	104,730,525	1,047	515,376	1,039,824	1,556,047
Net income				190,135	190,135
Common stock cash dividends \$1.341 per share				(140,876)	(140,876)
Sale of common stock	2,227,642	22	61,555	(117)	61,460
Purchase of preferred stock (Note H)			(2,854)		(2,854)
Balance - December 31, 1993	106,958,167	1,069	574,077	1,088,766	1,663,912
Net income				180,868	180,868
Common stock cash dividends \$1.396 per share				(150,708)	(150,708)
Sale of common stock	1,981,602	20	50,491	(17)	50,494
Balance - December 31, 1994	108,939,769	\$1,089	\$624,568	\$1,118,909	\$1,744,566

The notes are an integral part of the financial statements.

WISCONSIN ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS

A - Summary of Significant Accounting Policies

General

The consolidated financial statements include the accounts of Wisconsin Energy Corporation (WEC or the company) and its utility subsidiaries, Wisconsin Electric Power Company (WE) and Wisconsin Natural Gas Company (WN), and its nonutility subsidiaries, Wisconsin Michigan Investment Corporation, Badger Service Company, Wispark Corporation, Wisvest Corporation, Witech Corporation, and other nonutility companies.

The accounting records of the company's utility subsidiaries are kept as prescribed by the Federal Energy Regulatory Commission (FERC), modified for requirements of the Public Service Commission of Wisconsin (PSCW).

Revenues

Utility revenues are recognized on the accrual basis and include estimated amounts for service rendered but not billed.

Fuel

Fossil fuel is stated at average cost on the balance sheet except for natural gas which is accounted for primarily under the first-in, first-out basis. The cost of fuel is expensed in the period consumed.

Property

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

Deferred Regulatory Assets and Liabilities

Pursuant to Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, the company capitalizes as deferred regulatory assets incurred costs which are expected to be recovered in future utility rates. The company also records as deferred regulatory liabilities the current recovery in utility rates of costs which are expected to be paid in the future. A significant portion of the company's deferred regulatory assets and liabilities relate to the amounts recorded due to the adoption of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FAS 109). See Note C.

Statement of Cash Flows

Cash and cash equivalents include marketable debt securities acquired three months or less from maturity.

Restrictions

Various financing arrangements and regulatory requirements impose certain restrictions on the ability of WEC's utility subsidiaries to transfer funds to WEC in the form of cash dividends, loans, or advances. Under Wisconsin law, WE and WN are prohibited from loaning funds, either directly or indirectly, to WEC. WEC does not believe that such restrictions will affect its operations.

Conservation Investments

WE and WN direct a variety of demand-side management programs to help foster energy conservation by their customers. As authorized by the PSCW, WE has capitalized certain conservation program costs. Utility rates approved by the PSCW provide for a current return on these conservation investments. Conservation investments are amortized to operating expense over a ten-year period.

B - Utility Mergers

Effective January 1, 1994, the company acquired all of the outstanding common stock of Wisconsin Southern Gas Company, Inc. (WSG) through a statutory merger of WSG into WN in which all of WSG's common stock was converted into common stock of WEC. WSG was a gas utility engaged in the purchase, distribution, transportation and sale of natural gas primarily in a section of southeastern Wisconsin which is contiguous to WN's service territory. WSG was merged into WN using the pooling of interests method of accounting. Accordingly, historical financial data has been restated to include WSG.

In January 1994, the company announced plans to merge WN into WE. The completion of the merger, which is subject to a number of conditions including requisite regulatory approvals, is currently anticipated to occur by year-end 1995.

C - Income Taxes

Comprehensive interperiod income tax allocation is used for federal and state temporary 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.

C - Income Taxes - (Cont'd)

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

	1994	1993	1992
	(Thousands of Dollars)		
Current tax expense	\$128,303	\$ 89,750	\$ 85,136
Investment tax credit-net	(4,625)	(4,626)	(4,469)
Deferred tax expense	(25,095)	13,096	9,979
Total tax expense	\$ 98,583	\$ 98,220	\$ 90,646
Income before income taxes and preferred dividend	\$280,802	\$292,732	\$267,801
Expected tax at federal statutory rate	\$ 98,281	\$102,456	\$ 91,052
State income tax net of federal tax reduction	14,382	12,024	13,604
Investment tax credit restored	(4,625)	(5,241)	(4,580)
Other (no item over 5% of expected tax)	(9,455)	(11,019)	(9,430)
Total tax expense	\$ 98,583	\$ 98,220	\$ 90,646

FAS 109 requires the recording of deferred assets and liabilities to recognize the expected future tax consequences of events that have been reflected in the company's financial statements or tax returns, the adjustment of deferred tax balances to reflect tax rate changes and the recognition of previously unrecorded deferred taxes. Following is a summary of deferred income taxes under FAS 109.

	December 31	
	1994	1993
	(Thousands of Dollars)	
Deferred Income Tax Assets		
Decommissioning trust	\$ 42,685	\$ 44,888
Construction advances	40,839	39,497
ERIP accrual	18,410	-
Other	37,993	29,769
Total Deferred Income Tax Assets	\$139,927	\$114,154
Deferred Income Tax Liabilities		
Property related	\$430,740	\$414,238
Conservation investments	27,564	51,882
Other	17,237	11,475
Total Deferred Income Tax Liabilities	\$475,541	\$477,595

C - Income Taxes - (Cont'd)

The company also has recorded deferred regulatory assets and liabilities which represent the future expected impact of deferred taxes on utility revenues.

(Thousands of Dollars)	December 31	
	1994	1993
Deferred regulatory assets	\$158,912	\$159,760
Deferred regulatory liabilities	171,599	180,401

D - Depreciation

Depreciation expense is accrued at straight line rates, certified by the PSCW, which include estimates for salvage and removal costs. Depreciation as a percent of average depreciable utility plant was 3.9% in 1994 and 1993, and 4.1% in 1992.

Nuclear plant decommissioning is accrued as depreciation expense (see Note E).

E - Nuclear Operations

Nuclear Fuel

WE has a nuclear fuel leasing arrangement with Wisconsin Electric Fuel Trust (Trust), which is treated as a capital lease. 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 WE or the Trust terminates the lease, the Trust would recover its unamortized cost of nuclear fuel from WE. Under the lease terms, WE is in effect the ultimate guarantor of the Trust's commercial paper and line of credit borrowings financing the investment in nuclear fuel.

Provided below is a summary of nuclear fuel investment at December 31 and interest expense for the respective years on the nuclear fuel lease:

	1994	1993	1992
	(Thousands of Dollars)		
Nuclear Fuel			
Under capital lease	\$ 89,705	\$ 91,201	
Accumulated provision for amortization	(50,983)	(54,207)	
In process/stock	17,884	15,671	
Total nuclear fuel	\$ 56,606	\$ 52,665	
Interest expense on nuclear fuel lease	\$ 1,896	\$ 1,697	\$ 2,098

E - Nuclear Operations - (Cont'd)

The future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of December 31, 1994 are as follows:

(Thousands of Dollars)

1995	\$22,620
1996	14,705
1997	7,992
1998	1,472
1999	539

Total Minimum Lease Payments	47,328
Less: Interest	(3,632)

Present Value of Net Minimum Lease Payments	\$43,696
	=====

The estimated cost of disposal of spent fuel based on a contract with the U.S. Department of Energy (DOE) is included in nuclear fuel expense. The Energy Policy Act of 1992 establishes a Uranium Enrichment Decontamination and Decommissioning Fund (Fund) for the DOE's nuclear fuel enrichment facilities. Deposits to the fund will be derived in part from special assessments to utilities. As of December 31, 1994, WE has on its books a remaining estimated liability equal to the projected special assessments of \$31,133,000. A corresponding deferred regulatory asset will be amortized to nuclear fuel expense and included in utility rates over the next 13 years.

Nuclear Insurance

The Price-Anderson Act (Act) provides an aggregate limitation of \$8.9 billion on public liability claims arising out of a nuclear incident. WE has \$200 million of liability insurance from commercial sources. The Act also establishes an industry-wide retrospective rating plan under which nuclear reactor owners could be assessed up to \$79 million per reactor (WE owns two), but not more than \$10 million in any one year for each reactor, in the event of a nuclear incident.

An industry-wide insurance program, with an aggregate limit of \$200 million, has been established to cover radiation injury claims of nuclear workers first employed after 1987. If claims in excess of the available funds develop, WE could be assessed a maximum of approximately \$3.2 million per reactor.

WE has property damage, decontamination and decommissioning insurance totaling \$2 billion for loss from damage at the Point Beach Nuclear Plant with Nuclear Mutual Limited (NML) and Nuclear Electric Insurance Limited (NEIL). Under the NML and NEIL policies, WE has a potential maximum retrospective premium liability per loss of \$6 million and \$15.9 million, respectively.

WE also maintains additional insurance with NEIL covering extra expenses of obtaining replacement power during a prolonged accidental outage (in excess of 21 weeks) at the Point Beach Nuclear Plant. This insurance coverage provides weekly indemnities of \$3.5 million per unit for outages during the first year, declining to 80% of the amounts during the second and third years. Under the policy, WE's maximum retrospective premium liability is approximately \$9 million.

E - Nuclear Operations - (Cont'd)

It should not be assumed that, in the event of a major nuclear incident, any insurance or statutory limitation of liability would protect the company from material adverse impact.

Nuclear Decommissioning

WE expects to operate the two units at its Point Beach Nuclear Plant to the expiration of their current operating licenses, 2010 for Unit 1 and 2013 for Unit 2. The estimated cost to decommission the plant in 1994 dollars is \$335 million based upon a site specific decommissioning cost study completed in 1994. Assuming plant shutdown at the expiration of the current operating licenses, prompt dismantlement and annual escalation of costs at specific inflation factors established by the PSCW, it is projected that approximately \$1.6 billion will be spent over a twenty-year period, beginning in 2010, to decommission the plant.

Nuclear decommissioning costs are accrued as depreciation expense over the expected service lives of the two units based upon an external sinking fund method. It is expected that the annual payments to the Nuclear Decommissioning Trust Fund (Fund) along with earnings on the Fund will provide sufficient funds at the time of decommissioning. WE believes it is probable that any shortfall in funding would be recoverable in utility rates.

In a generic proceeding in 1994, the PSCW issued an order setting forth the requirement of a site specific estimate with prompt dismantlement for determining decommissioning funding levels for the owners of nuclear power plants located in Wisconsin. WE will modify its funding requirements based on the order in its next utility rate case filing; an increase in funding is anticipated along with a corresponding increase in expense.

As required by Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (FAS 115), WE's debt and equity security investments in the Fund are classified as available for sale. Gains and losses on the Fund were determined on the basis of specific identification; net unrealized holding gains on the Fund were recorded as part of the accumulated provision for depreciation.

Following is a summary of decommissioning costs and earnings charged to depreciation expense and the Fund balance included in the accumulated provision for depreciation at December 31:

	1994	1993	1992
	(Thousands of Dollars)		
Decommissioning costs	\$ 3,456	\$ 3,456	\$12,162
Earnings	6,682	7,915	8,050
Depreciation Expense	\$ 10,138	\$ 11,371	\$20,212
Total costs accrued to date	\$224,559	\$214,421	
Unrealized gain	2,246		
Accumulated Provision for Depreciation	\$226,805	\$214,421	

4-27-014 NCL-6

E - Nuclear Operations - (Cont'd)

The December 31, 1994 Fund balance was stated at fair value, whereas the December 31, 1993 Fund balance was stated at historical cost. The fair value of the Fund at December 31, 1993 was \$231,991,000.

F - Allowance for Funds Used During Construction (AFUDC)

AFUDC is included in utility plant accounts and represents the cost of borrowed funds used during plant construction and a return on stockholders' capital used for construction purposes. Allowance for borrowed funds also includes interest capitalized on qualifying assets of nonutility subsidiaries. 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.

Utility rates approved by the PSCW provide for a current return on investment for selected long-term projects included in construction work in progress (CWIP). AFUDC was capitalized on the remaining CWIP at a rate of 10.83% in 1994 and 1993, and 11.10% in 1992, as approved by the PSCW.

G - Long-Term Debt

The maturities and sinking fund requirements through 1999 for the aggregate amount of long-term debt outstanding (excluding obligations under capital lease, see Note E) at December 31, 1994 are shown below:

(Thousands of Dollars)

1995	\$ 12,685
1996	30,435
1997	171,175
1998	68,220
1999	93,310

Sinking fund requirements for the years 1995 through 1999, included in the table above, are \$6,105,000. Substantially all utility plant is subject to the applicable mortgage.

Long-term debt premium or discount and expense of issuance are amortized by the straight line method over the lives of the debt issues and included as interest expense. Unamortized amounts pertaining to reacquired debt are written off currently, when acquired for sinking fund purposes, or amortized in accordance with PSCW orders, when acquired for early retirement.

Fair value of long-term debt is estimated based upon the market value of the same or similar issues. The fair value of the company's long-term debt was \$1.2 billion and \$1.4 billion at December 31, 1994 and 1993, respectively.

H - Preferred Stock

Preferred stock authorized but unissued is: WEC, \$.01 par value, 15,000,000 shares; WE, cumulative, \$25 par value, 5,000,000 shares; and WN, cumulative, \$100 par value, 120,000 shares.

H - Preferred Stock (cont'd)

Redemption Not Required

The 3.60% Series Preferred Stock is redeemable in whole or in part at the option of WE at \$101 per share plus any accrued dividends.

Redemption Required

In 1994, WE called for redemption all of its 52,500 outstanding shares of 6.75% Series Preferred Stock at a redemption price of par. In 1993, WE called for redemption 626,500 shares at a purchase price of \$104.05 per share plus accrued dividends to the redemption date.

I - Pension Plans

Effective in 1993, the PSCW adopted Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (FAS 87), for ratemaking. For 1992, the PSCW recognized funded amounts for ratemaking, and WE and WN charged \$4,127,000 to expense as paid.

WE and WN have several noncontributory pension plans covering all eligible employees. Pension benefits are based on years of service and the employee's compensation. The majority of the plans' assets are equity securities; other assets include corporate and government bonds and real estate. The plans are funded to meet the requirements of the Employee Retirement Income Security Act of 1974.

In the opinion of the company, current pension trust assets and amounts which are expected to be paid to the trusts in the future will be adequate to meet future pension payment obligations to current and future retirees.

Pension Cost calculated per FAS 87	1994	1993	1992
	(Thousands of Dollars)		
Components of Net Periodic Pension Cost, Year Ended December 31 -			
Cost of pension benefits earned by employees	\$ 10,933	\$ 10,842	\$ 9,858
Interest cost on projected benefit obligation	38,736	36,335	33,137
Actual (return) loss on plan assets	7,634	(43,226)	(16,779)
Net amortization and deferral	(52,180)	1,067	(33,934)
Total pension cost (credit) calculated under FAS 87	\$ 5,123	\$ 5,018	\$(7,718)
Actuarial Present Value of Accumulated Benefit Obligation, at December 31 -			
Vested benefits-employees' right to receive benefit no longer contingent upon continued employment	\$436,697	\$393,527	
Nonvested benefits-employees' right to receive benefit contingent upon continued employment	1,113	6,579	
Total obligation	\$437,810	\$400,106	

I - Pension Plans (cont'd)

	1994	1993	1992
	(Thousands of Dollars)		
Funded Status of Plans: Pension Assets and Obligations at December 31 -			
Pension assets at fair market value	\$527,182	\$555,260	
Projected benefit obligation at present value	(513,166)	(502,254)	
Unrecognized transition asset	(24,628)	(27,211)	
Unrecognized prior service cost	593	3,107	
Unrecognized net (gain) loss	5,903	(7,539)	
Projected status of plans	\$ (4,116)	\$ 21,363	
Rates used for calculations (%) -			
Discount Rate-interest rate used to adjust for the time value of money	8.25	7.5	8.0
Assumed rate of increase in compensation levels	5.0	5.0	5.0
Expected long-term rate of return on pension assets	9.0	9.0	9.0

J - Benefits Other Than Pensions

Postretirement Benefits

Effective in 1993, the company adopted prospectively Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (FAS 106), and elected the 20 year option for amortization of the previously unrecognized accumulated postretirement benefit obligation. The PSCW has issued an order recognizing FAS 106 for ratemaking; therefore adoption has no material impact on net income. Prior to 1993 the cost of these postretirement benefits was expensed when paid and was \$4,766,000 in 1992.

WE and WN sponsor defined benefit postretirement plans that cover both salaried and nonsalaried employees who retire at age 55 or older with at least 10 years of credited service. The postretirement medical plan provides coverage to retirees and their dependents. Retirees contribute to the medical plan. The group life insurance benefit is based on employee compensation and is reduced upon retirement.

Employees' Benefit Trusts (Trusts) are used to fund a major portion of postretirement benefits. The funding policy for the Trusts is to maximize tax deductibility. The majority of the Trusts' assets are mutual funds.

J - Benefits Other Than Pensions - (Cont'd)

	1994	1993
	(Thousands of Dollars)	
Components of Net Periodic Postretirement Benefit Cost, Year Ended December 31 -		
Cost of postretirement benefits earned by employees	\$ 2,653	\$ 3,105
Interest cost on projected benefit obligation	10,148	10,395
Actual return on plan assets	(3,893)	(2,388)
Net amortization and deferral	5,648	5,082
Total postretirement benefit cost calculated under FAS 106	\$ 14,556	\$ 16,194
Funded Status of Plans: Postretirement Obligations and Assets at December 31 -		
Accumulated Postretirement Benefit Obligation		
Retirees		
Fully eligible active plan participants	\$ (83,670)	\$ (66,861)
Other active plan participants	(7,223)	(19,480)
	(37,255)	(55,062)
Total obligation	(128,148)	(141,403)
Postretirement assets at fair market value		
	37,919	32,098
Accumulated postretirement benefit obligation in excess of plan assets		
Unrecognized transition obligation	(90,229)	(109,305)
Unrecognized prior service cost	90,302	97,471
Unrecognized net (gain) loss	(1,169)	-
	(16,484)	5,393
Accrued postretirement benefit obligation	\$ (17,580)	\$ (6,441)
Rates used for calculations (%) -		
Discount Rate-interest rate used to adjust for the time value of money	8.25	7.5
Assumed rate of increase in compensation levels	5.0	5.0
Expected long-term rate of return on postretirement assets	9.0	9.0
Health care cost trend rate	12.0 declining to 5.0 in 2002	

Changes in health care cost trend rates will affect the amounts reported. For example, a 1% increase in rates would increase the accumulated postretirement benefit obligation as of December 31, 1994 by \$8,392,000 and the aggregate of the service and interest cost components of the postretirement benefit cost for the year then ended by \$1,004,000.

Revitalization

In the first quarter of 1994, the company recorded a \$73.9 million charge related to its revitalization program. This charge included \$37.5 million for Early Retirement Incentive Packages (ERIP) and \$25 million for Severance Packages (SP). These plans are being used to reduce employee staffing levels. ERIP provided for a monthly income supplement, medical benefits, and waiver of

J - Benefits Other Than Pensions - (Cont'd)

an early retirement pension reduction. The SP included a severance payment, medical/dental insurance, outplacement services, personal financial planning and tuition support. Availability of these plans to various bargaining units was based upon agreements made between WE, WN and the bargaining units. These plans have been available to most management employees but not elected officers.

Under ERIP, 403 employees elected to retire and 651 employees have enrolled in SP. It is anticipated that the revitalization charge will be offset by the end of 1995 through savings in operation and maintenance costs. ERIP supplemental income costs are being paid from pension plan trusts and medical/dental benefits from employee benefit trusts. Remaining ERIP and SP costs are being paid from general corporate funds. The ultimate timing of cash flows for revitalization will depend in part upon the funding limitations of the WE and WN pension plans. Through December 31, 1994, \$30 million have been paid against the revitalization liability.

Omnibus Stock Incentive Plan

A stockholder approved Omnibus Stock Incentive Plan (the Plan) enables the company to offer selected officers and key employees performance-based incentives. The Plan provides for the granting of stock options, stock appreciation rights (SARS), stock awards and performance units over a period of no more than 10 years. Awards under the Plan may be paid in common stock, cash or a combination thereof. Four million shares of common stock have been reserved under the Plan. The exercise price of a stock option will not be less than 100% of the common stock's fair market value on grant date and options may not be exercised within 6 months of the grant date. As of December 31, 1994 and 1993, options for 145,500 and 64,250 shares, respectively, have been granted. These options are exercisable 4 years after the grant date at per share prices of \$26.813 and \$27.375 for 1994 and 1993, respectively. No SARS or stock awards have been granted and no performance units have been earned to date.

K - Notes Payable

Short-term notes payable balances and their corresponding weighted average interest rates consist of:

	December 31		December 31	
	1994		1993	
	Balance	Interest Rate	Balance	Interest Rate
	(Thousands of Dollars)			
Banks	\$ 96,949	6.06%	\$110,874	3.39%
Commercial paper	155,106	6.04%	96,412	3.33%
	\$252,055		\$207,286	
	=====		=====	

Unused lines of credit for short-term borrowing amounted to \$209,050,000 at December 31, 1994. In support of various informal lines of credit from banks, WEC subsidiaries have agreed to maintain unrestricted compensating balances or to pay commitment fees; neither the compensating balances nor the commitment fees are significant.

L - 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."

M - Information By Segments of Business

Year ended December 31	(Thousands of Dollars)		
	1994	1993	1992
Electric Operations			
Operating revenues	\$1,403,562	\$1,347,844	\$1,298,723
Operating income before income taxes	329,216	329,727	299,902
Depreciation	159,414	149,646	147,859
Construction expenditures	244,718	305,467	292,031
Gas Operations			
Operating revenues	324,349	331,301	283,699
Operating income before income taxes	30,993	31,025	29,407
Depreciation	16,856	16,235	15,400
Construction expenditures	25,481	24,419	25,188
Steam Operations			
Operating revenues	14,281	14,090	13,093
Operating income before income taxes	2,825	3,147	2,235
Depreciation	1,344	1,185	1,108
Construction expenditures	1,213	4,940	1,530
Consolidated			
Operating revenues	1,742,192	1,693,235	1,595,515
Operating income before income taxes	363,034	363,899	331,544
Depreciation	177,614	167,066	164,367
Construction expenditures (including nonutility)	295,769	364,810	323,387
Other Information			
Nonutility Net Income	2,768	2,211	200
Real estate activities			
Venture capital and other investing activities	(2,303)	220	1,005

At December 31			
Net Identifiable Assets			
Electric	\$3,800,377	\$3,668,151	\$3,264,839
Gas	376,494	385,460	338,021
Steam	25,315	25,119	20,972
Nonutility			
Real estate activities	148,401	134,669	107,677
Venture capital and other investing activities	57,672	57,193	57,446
Total Consolidated Assets	\$4,408,259	\$4,270,592	\$3,788,955

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
the Stockholders of Wisconsin Energy Corporation

In our opinion, the consolidated financial statements listed under Item 14(a)(1) and (2) on pages 66 and 67 present fairly, in all material respects, the financial position of Wisconsin Energy Corporation and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/Price Waterhouse LLP

PRICE WATERHOUSE LLP

Milwaukee, Wisconsin
January 25, 1995

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

In accordance with General Instruction G(3) of Form 10-K, the information under "Election of Directors" in Wisconsin Energy's definitive Proxy Statement for its Annual Meeting of Stockholders to be held May 17, 1995 (the "1995 Annual Meeting Proxy Statement") is incorporated herein by reference. Also see "Executive Officers of the Registrant" in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

In accordance with General Instruction G(3) of Form 10-K, the information under "Compensation of the Board of Directors", "Executive Officers' Compensation" and "Retirement Plans" in the 1995 Annual Meeting Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

In accordance with General Instruction G(3) of Form 10-K, the security ownership information under "Stock Ownership of Directors, Nominees and Executive Officers" in the 1995 Annual Meeting Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

- (a) 1. Consolidated Financial Statements and Report of Independent Accountants

Included in Part II of this report:

Consolidated Income Statement for the three years ended December 31, 1994

Consolidated Statement of Cash Flows for the three years ended December 31, 1994

Consolidated Balance Sheet at December 31, 1994 and 1993

Consolidated Capitalization Statement at December 31, 1994 and 1993

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES,
AND REPORTS ON FORM 8-K (Cont'd)

Consolidated Common Stock Equity Statement for the three
years ended December 31, 1994

Notes to Financial Statements

Report of Independent Accountants

2. Financial Statement Schedules

Included in Part IV of this report:

For the three years ended December 31, 1994

Schedule I Condensed Parent Company Financial
Statements

Other schedules are omitted because of the absence of conditions
under which they are required or because the required information
is given in the consolidated financial statements or notes thereto.

3. Exhibits

The following Exhibits are filed with this report:

Exhibit No.

- (10)-1 Executive Deferred Compensation Plan of Wisconsin Energy Corporation effective January 1, 1989, as amended and restated as of January 1, 1994. *
- 2 Supplemental Benefits Agreement between Wisconsin Energy Corporation and employee Richard A. Abdo dated November 21, 1994. *
- 3 Supplemental Benefits Agreement between Wisconsin Electric Power Company and employee John W. Boston dated November 21, 1994. *
- 4 Supplemental Executive Retirement Plan of Wisconsin Energy Corporation (as amended and restated as of January 1, 1994). *
- 5 Directors' Deferred Compensation Plan of Wisconsin Energy Corporation, effective January 1, 1987 and as restated as of January 1, 1994. *
- 6 Directors' Deferred Compensation Plan of Wisconsin Electric Power Company, as restated as of January 1, 1994. *
- (23) Consent of Independent Accountants, dated March 30, 1995, appearing on page 75 of this Annual Report on Form 10-K for the year ended December 31, 1994.
- (27) Wisconsin Energy Corporation Financial Data Schedule for the fiscal year ended December 31, 1994.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES,
AND REPORTS ON FORM 8-K (Cont'd)

(99)-1 Information furnished in lieu of the Form 11-K Annual Report for Wisconsin Energy Corporation Management Employee Savings Plan for the year ended December 31, 1994. (To be filed by amendment.)

2 Information furnished in lieu of the Form 11-K Annual Report for Wisconsin Energy Corporation Represented Employee Savings Plan for the year ended December 31, 1994. (To be filed by amendment.)

In addition to those Exhibits shown above, which are filed herewith, Wisconsin Energy hereby incorporates the following Exhibits pursuant to Exchange Act Rule 12b-32 and Regulation Section 201.24 by reference to the filings set forth below:

- (2) Agreement and Plan of Restructuring, including Plan of Merger. (Incorporated herein by reference to Exhibit 2 to Amendment No. 1 to Wisconsin Energy's Registration Statement on Form S-4, File No. 33-7045.)
- (3)-1 Restated Articles of Incorporation of Wisconsin Energy Corporation. (Incorporated herein by reference to Exhibit (19) to Wisconsin Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1992, File No. 1-9057.)
- 2 Bylaws of Wisconsin Energy Corporation, as amended to October 27, 1993. (Exhibit 3-1 to Wisconsin Energy Corporation's 1993 Form 10-K in File No. 1-9057.)
- (4)-1 Reference is made to Article III of the Restated Articles of Incorporation of Wisconsin Energy. (Exhibit (3)-1 herein.)

Mortgage or Supplemental Indenture	Company	Date	Exhibit #	Under File No.
(4)- 2 Mortgage and Deed of Trust	Wisconsin Electric ("WE")	10/28/38	B-1	2-4340
3 Second	WE	6/1/46	7-C	2-6422
4 Third	WE	3/1/49	7-C	2-8456
5 Fourth	WE	6/1/50	7-D	2-8456
6 Fifth	WE	5/1/52	4-G	2-9588
7 Sixth	WE	5/1/54	4-H	2-10846
8 Seventh	WE	4/15/56	4-I	2-12400
9 Eighth	WE	4/1/58	2-I	2-13937
10 Ninth	WE	11/15/60	2-J	2-17087
11 Tenth	WE	11/1/66	2-K	2-25593
12 Eleventh	WE	11/15/67	2-L	2-27504
13 Twelfth	WE	5/15/68	2-M	2-28799
14 Thirteenth	WE	5/15/69	2-N	2-32629
15 Fourteenth	WE	11/1/69	2-O	2-34942
16 Fifteenth	WE	7/15/76	2-P	2-54211
17 Sixteenth	WE	1/1/78	2-Q	2-61220
18 Seventeenth	WE	5/1/78	2-R	2-61220

Mortgage or Supplemental Indenture	Company	Date	Exhibit #	Under File No.
19 Eighteenth	WE	5/15/78	2-S	2-61220
20 Nineteenth	WE	8/1/79	(a)2(a)	1-1245 (9/30/79 WE Form 10-Q)
21 Twentieth	WE	11/15/79	(a)2(a)	1-1245 (12/31/79 WE Form 10-K)
22 Twenty-First	WE	4/15/80	(4)-21	2-69488
23 Twenty-Second	WE	12/1/80	(4)-1	1-1245 (12/31/80 WE Form 10-K)
24 Twenty-Third	WE	9/15/85	(4)-1	1-1245 (9/30/85 WE Form 10-Q)
25 Twenty-Four	WE	9/15/85	(4)-1	1-1245 (9/30/85 WE Form 10-Q)
26 Twenty-Fifth	WE	12/15/86	(4)-25	1-1245 (12/31/86 WE Form 10-K)
27 Twenty-Sixth	WE	1/15/88	4	1-1245 (1/26/88 Form 8-K)
28 Twenty-Seventh	WE	4/15/88	4	1-1245 (3/31/88 Form 10-Q)
29 Twenty-Eighth	WE	9/1/89	4	1-1245 (9/30/89 WE Form 10-Q)
30 Twenty-Ninth	WE	10/1/91	4-1	1-1245 (12/31/91 WE Form 10-K)
31 Thirtieth	WE	12/1/91	4-2	1-1245 (12/31/91 WE Form 10-K)
32 Thirty-First	WE	8/1/92	4-1	1-1245 (6/30/92 WE Form 10-Q)
33 Thirty-Second	WE	8/1/92	4-2	1-1245 (6/30/92 WE Form 10-Q)
34 Thirty-Third	WE	10/1/92	4-1	1-1245 (9/30/92 WE Form 10-Q)
35 Thirty-Fourth	WE	11/1/92	4-2	1-1245 (9/30/92 WE Form 10-Q)
36 Thirty-Fifth	WE	12/15/92	4-1	1-1245 (12/31/92 WE Form 10-K)
37 Thirty-Sixth	WE	1/15/93	4-2	1-1245 (12/31/92 WE Form 10-K)
38 Thirty-Seventh	WE	3/15/93	4-3	1-1245 (12/31/92 WE Form 10-K)
39 Thirty-Eighth	WE	8/01/93	(4)-1	1-1245 (6/30/93 WE Form 10-Q)
40 Thirty-Ninth	WE	9/15/93	(4)-1	1-1245 (9/30/93 WE Form 10-Q)

All agreements and instruments with respect to long-term debt not exceeding 10 percent of the total assets of the Registrant and its subsidiaries on a consolidated basis have been omitted as permitted by related instructions. The Registrant agrees pursuant to Item 601(b)(4) of Regulation S-K to furnish to the Securities and Exchange Commission, upon request, a copy of all such agreements and instruments.

(10)-7 Executive Non-Qualified Trust by and between Wisconsin Energy Corporation and Firststar Trust Company, dated May 12, 1994, established to provide a source of funds to assist in the meeting of the liabilities under various nonqualified deferred compensation plans made between the Registrant or its subsidiaries and various plan participants. (Exhibit 10-1 to Wisconsin Energy's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, File No. 1-9057.)*

(10)-8 1993 Omnibus Stock Incentive Plan adopted by the Board of Directors on December 15, 1993, approved by shareholders at the Annual Meeting of Stockholders held on May 11, 1994, offering performance-based incentives and other equity interests in Wisconsin Energy to officers and other key employees. (Exhibit 10-1 to Wisconsin Energy's 1993 Form 10-K in File No. 1-9057.) *

9 Agreement between Wisconsin Energy Corporation, WITECH Corporation and employee Francis Brzezinski dated November 30, 1992, naming him a participant in the Wisconsin Energy Corporation Supplemental Executive Retirement Plan retroactive to September 1, 1990. (Exhibit 10-1 to Wisconsin Energy's 1992 Form 10-K in File No. 1-9057.) *

10 Executive Incentive Compensation Plan of Wisconsin Energy Corporation as amended and renewed effective December 18, 1991. (Exhibit 10-1 to Wisconsin Energy's 1991 Form 10-K in File No. 1-9057.) *

11 Short-Term Performance Plan of Wisconsin Energy Corporation effective January 1, 1992. (Exhibit 10-3 to Wisconsin Energy's 1991 Form 10-K in File No. 1-9057.) *

12 Purchase and Sale Agreement by and among The Cleveland-Cliffs Iron Company, Cliffs Electric Service Company, Upper Peninsula Generating Company, Upper Peninsula Power Company and Wisconsin Electric Power Company, dated as of December 8, 1987. (Exhibit 10 to Wisconsin Electric's Form 8-K dated December 18, 1987 in File No. 1-1245.)

13 Service Agreement dated January 1, 1987, between Wisconsin Electric, Wisconsin Energy and other non-utility affiliated companies. (Exhibit (10)-(a) to Wisconsin Electric's Current Report on Form 8-K dated January 2, 1987 in File No. 1-1245.)

14 Service Agreement dated January 1, 1987, between Wisconsin Natural, Wisconsin Energy and other non-utility affiliated companies. (Exhibit (10)-(a) to Wisconsin Natural's Current Report on Form 8-K dated January 2, 1987 in File No. 2-2066.)

* Management contracts and executive compensation plans or arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

(21) Subsidiaries of Wisconsin Energy Corporation (Incorporated herein by reference to Exhibit (22) to Wisconsin Energy's Form 8-B filed on January 7, 1987, File No. 33-7045.)

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of the year ended December 31, 1994.

013245320

WISCONSIN ENERGY CORPORATION
 INCOME STATEMENT
 (Parent Company Only)
 SCHEDULE I - CONDENSED PARENT COMPANY
 FINANCIAL STATEMENTS

	Year Ended December 31		
	1994	1993*	1992*
	(Thousands of Dollars)		
Miscellaneous Income	\$ 373	\$ 411	\$ 429
Nonoperating Expense	423	250	251
Income Taxes	(50) (20)	161 17	178 30
Equity in Subsidiaries' Earnings	(30) 180,898	144 189,991	148 171,091
Net Income	\$ 180,868	\$ 190,135	\$ 171,239

* Restated to reflect the acquisition of Wisconsin Southern Gas Company, Inc. on 1/1/94.

See Notes on Page 74.
 (continued on next page)

WISCONSIN ENERGY CORPORATION
STATEMENT OF CASH FLOWS
(Parent Company Only)

SCHEDULE I - CONDENSED PARENT COMPANY
FINANCIAL STATEMENTS

	Year Ended December 31		
	1994	1993*	1992*
	(Thousands of Dollars)		
Operating Activities:			
Net Income	\$ 180,868	\$ 190,135	\$ 171,239
Reconciliation to cash:			
Equity in subsidiaries' earnings	(180,898)	(189,991)	(171,091)
Dividends from subsidiaries	150,951	74,654	74,576
Other	235	109	27
Cash Provided by Operating Activities	<u>151,156</u>	<u>74,907</u>	<u>74,751</u>
Investing Activities:			
Equity investment in subsidiaries - net	(19,500)	(23,500)	6,363
Change in notes receivable - associated companies	(17,535)	13,330	(13,330)
Other	(870)	(8)	(3)
Cash Used in Investing Activities	<u>(37,905)</u>	<u>(10,178)</u>	<u>(6,970)</u>
Financing Activities:			
Sale of common stock	50,494	61,442	54,465
Dividends on common stock	(150,708)	(140,876)	(131,752)
Change in notes payable - associated companies	(13,100)	13,100	-
Cash Used in Financing Activities	<u>(113,314)</u>	<u>(66,334)</u>	<u>(77,287)</u>
Change in Cash and Cash Equivalents	<u>\$ (63)</u>	<u>\$ (1,605)</u>	<u>\$ (9,506)</u>
Cash Paid for-			
Interest	\$ 62	\$ -	\$ -
Income Taxes	(15)	(3)	25

* Restated to reflect the acquisition of Wisconsin Southern Gas Company, Inc. on 1/1/94.

See Notes on Page 74.
(continued on next page)

WISCONSIN ENERGY CORPORATION
BALANCE SHEET
(Parent Company Only)

SCHEDULE I - CONDENSED PARENT COMPANY
FINANCIAL STATEMENTS

	Year Ended December 31	
	1994	1993*
	(Thousands of Dollars)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 3	\$ 66
Accounts and notes receivable from associated companies	17,909	166
Other	297	471
Total Current Assets	18,209	703
Property and Investments		
Investment in subsidiary companies	1,729,052	1,679,605
Other	885	29
Total Property and Investments	1,729,937	1,679,634
Deferred Charges	7,585	7,164
	\$1,755,731	\$1,687,501
Liabilities		
Current Liabilities		
Accounts payable	\$ 41	\$ 90
Accounts and notes payable to associated companies	132	13,103
Other	(61)	210
Total Current Liabilities	112	13,403
Deferred Credits	8,264	7,397
Stockholders' Equity		
Common stock	628,446	577,935
Retained earnings	116,187	115,991
Undistributed subsidiaries' earnings	1,002,722	972,775
Total Stockholders' Equity	1,747,355	1,666,701
	\$1,755,731	\$1,687,501

* Restated to reflect the acquisition of Wisconsin Southern Gas Company, Inc. on 1/1/94.

See Notes on Page 74.
(continued on next page)

0
1
3
2
4
5
3
2
1

WISCONSIN ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Parent Company Only)

SCHEDULE I - CONDENSED PARENT COMPANY
FINANCIAL STATEMENTS

1. The condensed parent company financial statements and notes should be read in conjunction with the consolidated financial statements and notes appearing on pages 47-64 of this Annual Report on Form 10-K.
2. Various financing arrangements and regulatory requirements impose certain restrictions on the ability of Wisconsin Energy Corporation's utility subsidiaries to transfer funds to Wisconsin Energy Corporation (WEC) in the form of cash dividends, loans, or advances. Under Wisconsin law, Wisconsin Electric Power Company and Wisconsin Natural Gas Company are prohibited from loaning funds, either directly or indirectly, to WEC. WEC does not believe that such restrictions will affect its operations.

0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements and Prospectuses constituting part of or relating to the Registration Statements listed below of Wisconsin Energy Corporation of our report dated January 25, 1995 appearing on page 65 of this Form 10-K.

1. Registration Statements on Form S-3 (Registration Nos. 33-43737 and 33-57765) - Stock Plus Investment Plan
2. Registration Statement on Form S-8 (Registration No. 33-34656) - Represented Employee Savings Plan
3. Registration Statement on Form S-8 (Registration No. 33-34657) - Management Employee Savings Plan

/s/Price Waterhouse LLP

PRICE WATERHOUSE LLP

Milwaukee, Wisconsin
March 30, 1995

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WISCONSIN ENERGY CORPORATION

Date March 30, 1995 By /s/R. A. Abdo
(R. A. Abdo, Chairman of the Board,
President and Chief
Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature and Title	Date
<u>/s/R. A. Abdo</u> (R. A. Abdo, Chairman of the Board, President and Chief Executive Officer and Director - Principal Executive Officer)	March 30, 1995
<u>/s/J. W. Boston</u> (J. W. Boston, Vice Chairman of the Board and Director)	March 30, 1995
<u>/s/J. G. Remmel</u> (J. G. Remmel, Vice President, Treasurer, Chief Financial Officer - Principal Financial Officer and Principal Accounting Officer)	March 30, 1995
<u>/s/J. F. Ahearne</u> (J. F. Ahearne, Director)	March 30, 1995
<u>/s/J. F. Bergstrom</u> (J. F. Bergstrom, Director)	March 30, 1995
<u>/s/R. A. Cornog</u> (R. A. Cornog, Director)	March 30, 1995

Signature and Title

Date

/s/G. B. Johnson ----- (G. B. Johnson, Director)	March 30, 1995
/s/J. L. Murray ----- (J. L. Murray, Director)	March 30, 1995
/s/M. W. Reid ----- (M. W. Reid, Director)	March 30, 1995
/s/F. P. Stratton, Jr. ----- (F. P. Stratton, Jr., Director)	March 30, 1995
/s/J. G. Udell ----- (J. G. Udell, Director)	March 30, 1995

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended **March 31, 1995**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-9057

**WISCONSIN ENERGY CORPORATION**

(Exact name of registrant as specified in its charter)

Wisconsin(State or other jurisdiction of
incorporation or organization)**39-1391525**

(I.R.S. Employer Identification No.)

231 West Michigan Street, P.O. Box 2949, Milwaukee, Wisconsin
(Address of principal executive offices)

53201
(Zip Code)

(414) 221-2345

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 1995
----- \$.01 Par Value Common Stock	----- 109,455,406 Shares

WISCONSIN ENERGY CORPORATION
PART I - FINANCIAL INFORMATION

FORM 10-Q

ITEM 1. FINANCIAL STATEMENTS

WISCONSIN ENERGY CORPORATION
CONSOLIDATED CONDENSED INCOME STATEMENT

(Unaudited)

	Three Months Ended March 31	
	1995	1994
(Thousands of Dollars)		
Operating Revenues		
Electric	\$343,919	\$355,239
Gas	121,100	147,579
Steam	6,103	6,863
Total Operating Revenues	471,122	509,681
Operating Expenses		
Fuel	67,819	72,476
Purchased power	19,076	11,594
Cost of gas sold	72,803	91,153
Other operation expenses	97,760	107,473
Maintenance	28,372	33,516
Revitalization	-	73,900
Depreciation	44,712	44,039
Taxes other than income taxes	19,379	21,060
Federal income tax	29,635	22,743
State income tax	7,100	5,507
Deferred income taxes - net	376	(16,080)
Investment tax credit - net	(482)	(1,144)
Total Operating Expenses	386,550	466,245
Operating Income	84,572	43,436
Other Income and Deductions		
Interest income	3,614	4,724
Allowance for other funds used during construction	825	1,253
Miscellaneous - net	1,350	410
Income taxes	305	123
Total Other Income and Deductions	6,094	6,510
Income Before Interest Charges and Preferred Dividend	90,666	49,946
Interest Charges		
Interest expense	29,072	27,894
Allowance for borrowed funds used during construction	(1,241)	(1,159)
Total Interest Charges	27,831	26,735
Preferred Dividend Requirement of Subsidiary	301	389
Net Income	\$ 62,534	\$ 22,822
Average Common Shares Outstanding (Thousands)	109,133	107,238
Earnings Per Share of Common Stock	\$ 0.57	\$ 0.21
Dividends Per Share of Common Stock	\$ 0.3525	\$0.33875

See accompanying notes to consolidated financial statements.

WISCONSIN ENERGY CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEET
(Unaudited)

FORM 10-Q

	March 31, 1995	December 31, 1994
<u>Assets</u>	(Thousands of Dollars)	
Utility Plant		
Electric	\$ 4,377,597	\$ 4,304,925
Gas	470,549	467,732
Steam	40,114	40,103
Accumulated provision for depreciation	(2,184,573)	(2,134,469)
	2,703,687	2,678,291
Construction work in progress	168,391	205,835
Nuclear fuel - not	55,759	56,606
Net Utility Plant	2,927,837	2,940,732
Other Property and Investments	608,757	596,719
Current Assets		
Cash and cash equivalents	16,831	8,976
Accounts receivable	128,879	114,257
Accrued utility revenues	103,737	128,107
Materials, supplies and fossil fuel	136,097	158,946
Prepayments and other assets	72,271	68,272
Total Current Assets	457,815	478,958
Deferred Charges and Other Assets		
Accumulated deferred income taxes	139,758	139,927
Other	250,478	251,923
Total Deferred Charges and Other Assets	390,236	391,850
Total Assets	\$ 4,384,645	\$ 4,408,259
<u>Capitalization and Liabilities</u>		
Capitalization		
Common stock	\$ 637,575	\$ 625,657
Retained earnings	1,143,010	1,118,909
Total Common Stock Equity	1,780,585	1,744,566
Preferred stock-redemption not required	30,451	30,451
Long-term debt	1,249,742	1,283,686
Total Capitalization	3,060,778	3,058,703
Current Liabilities		
Long-term debt due currently	49,633	32,531
Short-term debt	181,574	252,055
Accounts payable	79,787	91,795
Accrued liabilities	85,852	68,234
Other	49,300	29,822
Total Current Liabilities	466,154	476,437
Deferred Credits and Other Liabilities		
Accumulated deferred income taxes	478,974	475,541
Other	398,739	399,578
Total Deferred Credits and Other Liabilities	877,713	875,119
Total Capitalization and Liabilities	\$ 4,384,645	\$ 4,408,259

See accompanying notes to consolidated financial statements.

WISCONSIN ENERGY CORPORATION
 CONSOLIDATED STATEMENT OF CASH FLOWS

FORM 10-Q

(Unaudited)

	Three Months Ended March 31	
	1995	1994
	(Thousands of Dollars)	
Operating Activities:		
Net income		
Reconciliation to cash:	\$ 62,534	\$ 22,822
Depreciation	44,712	44,039
Nuclear fuel expense - amortization	5,233	5,816
Conservation expense - amortization	5,156	6,152
Debt premium, discount & expense - amortization	3,107	3,708
Revitalization - net	(3,480)	59,381
Deferred income taxes - net	376	(16,080)
Investment tax credit - net	(402)	(1,144)
Allowance for other funds used during construction	(825)	(1,253)
Change in:		
Accounts receivable	(14,222)	(22,147)
Inventories	22,849	46,608
Accounts payable	(12,008)	(28,838)
Other current assets	20,371	31,290
Other current liabilities	37,104	24,117
Other	7,816	1,850
Cash Provided by Operating Activities	178,271	176,401
Investing Activities:		
Construction expenditures	(43,985)	(55,261)
Allowance for borrowed funds used during construction	(1,241)	(1,159)
Nuclear fuel	(5,601)	(4,806)
Nuclear decommissioning trust	(2,575)	(3,113)
Conservation investments - net	(1,103)	(4,355)
Other	(1,741)	(12,098)
Cash Used in Investing Activities	(56,246)	(80,792)
Financing Activities:		
Sale of common stock	11,918	14,554
Sale of long-term debt	-	9,290
Retirement of long-term debt	(17,174)	(15,624)
Change in short-term debt	(70,481)	(50,880)
Dividends on stock - common	(38,433)	(36,294)
Cash Used in Financing Activities	(114,170)	(78,954)
Change in Cash and Cash Equivalents	\$ 7,855	\$ 16,655
	*****	*****
Supplemental Information Disclosures:		
Cash Paid for -		
Interest (net of amount capitalized)	\$ 27,445	\$ 25,274
Income taxes	15,120	9,152

See accompanying notes to consolidated financial statements.

WISCONSIN ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. The accompanying unaudited consolidated financial statements should be read in conjunction with the company's 1994 Annual Report on Form 10-K. In the opinion of management, all adjustments, normal and recurring in nature, necessary to a fair statement of the results of operations and financial position of the company have been included in the accompanying income statement and balance sheet. The results of operations for the three months ended March 31, 1995 are not, however, necessarily indicative of the results which may be expected for the year 1995 because of seasonal and other factors.

2. On April 28, 1995, Wisconsin Energy Corporation ("WEC") and Northern States Power Company, Minnesota ("NSP") entered into an Agreement and Plan of Merger ("Agreement"). As a result, a registered utility holding company, which will be known as Primergy Corporation ("Primergy"), will be the parent of NSP and the current operating subsidiaries of NSP and WEC. Each outstanding share of common stock of WEC will remain outstanding as one share of common stock of Primergy, and each outstanding share of NSP will be converted into 1.626 shares of common stock of Primergy. The business combination is intended to be tax-free for income tax purposes and to be accounted for as a "pooling of interests". The Agreement is subject to various conditions, including approval of the stockholders of WEC and NSP and the approval of various regulatory agencies. WEC anticipates that the completion of the regulatory review and approval process will take approximately 12-18 months and, accordingly, WEC and NSP do not anticipate completing this business combination until late in 1995. ITEM 5. OTHER INFORMATION in Part II of this report discusses further the proposed transaction and provides pro forma combined condensed financial information for Primergy.

PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

On April 28, 1995, Wisconsin Energy Corporation ("Wisconsin Energy") entered into an Agreement and Plan of Merger with Northern States Power Company which provides for a strategic business combination involving the two companies in a "merger-of-equals" transaction. Further information concerning such agreement and proposed transaction and pro forma financial information with respect thereto is included in ITEM 5. OTHER INFORMATION in Part II of this report.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by Wisconsin Energy's consolidated operating activities totaled \$178 million during the three months ended March 31, 1995. This compares to \$176 million provided during the same period in 1994.

Wisconsin Energy's consolidated investing activities totaled \$56 million for the three months ended March 31, 1995 compared to \$81 million during the same period in 1994. Investments during the first quarter of 1995 include \$44 million for the construction of new or improved facilities, \$6 million for acquisition of nuclear fuel, \$1 million for net capitalized conservation expenditures and \$3 million for payments to an external trust for the eventual decommissioning of Wisconsin Electric Power Company's ("Wisconsin Electric") Point Beach Nuclear Plant.

Capital requirements for the remainder of 1995 are expected to be principally for construction expenditures, capitalized conservation programs and payments to the external trust for the eventual decommissioning of the Point Beach Nuclear Plant. Depending upon market conditions, Wisconsin Electric, the principal utility subsidiary of Wisconsin Energy, may refund some issues of its current debt and issue approximately \$100 million of additional long-term debt in a public offering later in 1995. The specific form, amount and timing of debt securities which may be issued have not yet been determined and will depend, to a large extent, on market conditions.

Beginning June 1, 1992, Wisconsin Energy began issuing new shares of common stock through the company's stock plans. During the period of December 1, 1988 to June 1, 1992, shares required for these plans were purchased on the open market. From January 1, 1995 to March 31, 1995, cash investments and reinvested dividends aggregating \$11.9 million were used to purchase 441,238 new issue shares.

RESULTS OF OPERATIONS

Net income increased approximately \$40 million during the first quarter of 1995 compared to the same period in 1994, reflecting the non-recurring charge in the first quarter of 1994 of approximately \$45 million (net of tax) associated with Wisconsin Electric's and Wisconsin Natural Gas Company's ("Wisconsin Natural") restructuring program. This charge included the cost of severance and early retirement packages, elements of a "revitalization" program designed to better position Wisconsin Electric and Wisconsin Natural in a changing market place. It is anticipated that this charge will be offset by the end of 1995 through savings in operation and maintenance costs.

WISCONSIN ENERGY CORPORATION
PART I - FINANCIAL INFORMATION (Cont'd)

RESULTS OF OPERATIONS - Cont'd

Excluding the non-recurring charge in 1994, net income decreased \$5 million in the first quarter of 1995 compared to the same period in 1994.

Between the first quarter of 1995 and 1994, total revenues decreased 7.6%. Electric revenues were down 3.2% as a result of lower total electric energy sales and gas margins (operating revenues less cost of gas sold) were down 14.4% as a result of lower natural gas deliveries. The decrease in electric revenues and gas margins was due in large part to warmer than normal weather.

As a result of unscheduled outages at two of Wisconsin Electric's most efficient power plants, Pleasant Prairie Power Plant and Point Beach Nuclear Plant, fuel and purchased power expenses increased 3.4% during the three months ended March 31, 1995 compared to 1994. In the first quarter of 1995, other operation and maintenance expenses decreased 10.5% compared to the first quarter of 1994, reflecting among other things the effects of the company's "revitalization" program.

An annualized \$16,179,000 or 1.3% Wisconsin retail electric fuel adjustment rate decrease became effective on August 4, 1994 for Wisconsin Electric customers.

ELECTRIC SALES

Electric Sales - Megawatt Hours	Three Months Ended March 31		% Change
	1995	1994	
Residential	1,689,356	1,795,445	(5.9)
Small Commercial and Industrial	1,714,727	1,657,786	3.4
Large Commercial and Industrial	2,542,354	2,462,432	3.2
Other	380,910	439,421	(13.3)
Total Retail and Municipal	6,327,347	6,355,084	(0.4)
Resale-Utilities	202,132	391,458	(48.4)
Total Sales	6,529,479	6,746,542	(3.2)

Total electric energy sales during the first quarter of 1995 decreased primarily due to mild winter weather. As measured by heating degree days, the first quarter of 1995 weather was 14.7% warmer compared to the same period in 1994.

Electric energy sales to the Empire and Tilden iron ore mines, Wisconsin Electric's two largest customers, decreased 0.8% during the quarter ended March 31, 1995 compared to the same period during 1994. Excluding the mines, total electric sales decreased 3.4%, but sales to all other large commercial and industrial customers increased 4.4% during the first quarter of 1995 compared to the same period in 1994.

WISCONSIN ENERGY CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WISCONSIN ENERGY CORPORATION

(Registrant)

Date: May 12, 1995

s/ R. A. Abdo

R. A. Abdo, Chairman of the Board,
President and Chief Executive
Officer

Date: May 12, 1995

s/ J. G. Remmel

J. G. Remmel, Vice President
and Treasurer - Principal
Financial Officer

WISCONSIN ENERGY CORPORATION

EXHIBIT INDEX

**Quarterly Report on Form 10-Q
For the Quarter Ended March 31, 1995**

**Exhibit
Number**

The following Exhibits are filed with this report:

- (23)-1 Independent Auditors' Consent of Deloitte & Touche LLP.
- (27) Wisconsin Energy Corporation Financial Data Schedule for the three months ended March 31, 1995.

The following Exhibits are incorporated herein by reference:

- (2)-1 Agreement and Plan of Merger, dated as of April 28, 1995, by and among Northern States Power Company, Wisconsin Energy Corporation, Northern Power Wisconsin Corp. and WEC Sub Corp. (Exhibit (2)-1 to Wisconsin Energy Corporation's Current Report on Form 8-K dated as of April 28, 1995, File No. 1-9057.) ("WEC's 4/28/95 8-K")
- (2)-2 WEC Stock Option Agreement, dated as of April 28, 1995, by and among Northern States Power Company and Wisconsin Energy Corporation. (Exhibit (2)-2 to WEC's 4/28/95 8-K.)
- (2)-3 NSP Stock Option Agreement, dated as of April 28, 1995, by and among Wisconsin Energy Corporation and Northern States Power Company. (Exhibit (2)-3 to WEC's 4/28/95 8-K.)
- (2)-4 Committees of the Board of Directors of Primergy Corporation. (Exhibit (2)-4 to WEC's 4/28/95 8-K.)
- (2)-5 Form of Employment Agreement of James J. Howard. (Exhibit (2)-5 to WEC's 4/28/95 8-K.)
- (2)-6 Form of Employment Agreement of Richard A. Abdo. (Exhibit (2)-6 to WEC's 4/28/95 8-K.)
- (2)-7 Form of Amended and Restated Articles of Incorporation of Northern Power Wisconsin Corp. (Exhibit (2)-7 to WEC's 4/28/95 8-K.)
- (2)-8 Letter Agreement, dated January 17, 1995, between Northern States Power Company and Wisconsin Energy Corporation. (Exhibit (2)-8 to WEC's Schedule 13D dated May 4, 1995 with respect to the NSP Stock Option Agreement.)

WISCONSIN ENERGY CORPORATION
 PART II - OTHER INFORMATION (Cont'd)

The following Exhibits are incorporated herein by reference (Cont'd):

- (2)-9 Letter Agreement, dated April 26, 1995, between Northern States Power Company and Wisconsin Energy Corporation amending Letter Agreement dated January 17, 1995. (Exhibit (2)-9 to WEC's Schedule 13D dated May 4, 1995 with respect to the NSP Stock Option Agreement.)
- (99)-1 Audited Financial Statements of Northern States Power Company. (Item 8 of Northern States Power Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, File No. 1-3034):
- Independent Auditors' Report.
 - Consolidated Statements of Income for the three years ended December 31, 1994.
 - Consolidated Statements of Cash Flows for the three years ended December 31, 1994.
 - Consolidated Balance Sheets at December 31, 1994 and 1993.
 - Consolidated Statements of Changes in Common Stockholders' Equity for the three years ended December 31, 1994.
 - Consolidated Statements of Capitalization at December 31, 1994 and 1993.
 - Notes to Financial Statements.
- (99)-2 Unaudited Interim Financial Statements of Northern States Power Company. (Item I in Part I of Northern States Power Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, File No. 1-3034):
- Consolidated Statements of Income for the three months ended March 31, 1995 and 1994.
 - Consolidated Statements of Cash Flows for the three months ended March 31, 1995 and 1994.
 - Consolidated Balance Sheets at March 31, 1995 and December 31, 1994.
 - Notes to Financial Statements.
- (99)-3 Press Release, dated May 1, 1995, of Wisconsin Energy Corporation. (Exhibit (99)-1 to WEC's 4/28/95 8-K.)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statements and related Prospectuses of Wisconsin Energy Corporation, listed below, of our report dated February 8, 1995, which expresses an unqualified opinion and includes an explanatory paragraph relating to Northern States Power Company's change in method of accounting for certain postretirement health care costs in 1993, appearing in Item 8 of the Annual Report on Form 10-K of Northern States Power Company (Minnesota) (File No. 1-3034) for the year ended December 31, 1994.

1. Registration Statements on Form S-3 (Registration Nos. 33-43737 and 33-57765) - Stock Plus Investment Plan
2. Registration Statement on Form S-8 (Registration No. 33-34656) - Represented Employee Savings Plan
3. Registration Statement on Form S-8 (Registration No. 33-34657) - Management Employee Savings Plan

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
May 12, 1995

<ARTICLE>		UT
<LEGEND>	THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED FINANCIAL STATEMENTS OF WISCONSIN ENERGY CORPORATION FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.	
<MULTIPLIER>		1,000
<TABLE>		
<S>		
<CURRENCY>		<C>
<FISCAL-YEAR-END>		U.S. DOLLARS
<PERIOD-START>		DEC-31-1995
<PERIOD-END>		JAN-01-1995
<PERIOD-TYPE>		MAR-31-1995
<EXCHANGE-RATE>		3-MOS
<BOOK-VALUE>		1
<TOTAL-NET-UTILITY-PLANT>		PER-BOOK
<OTHER-PROPERTY-AND-INVEST>		2,927,837
<TOTAL-CURRENT-ASSETS>		608,757
<TOTAL-DEFERRED-CHARGES>		457,815
<OTHER-ASSETS>		0
<TOTAL-ASSETS>		390,236
<COMMON>		4,384,645
<CAPITAL-SURPLUS-PAID-IN>		1,094
<RETAINED-EARNINGS>		636,481
<TOTAL-COMMON-STOCKHOLDERS-EQ>		1,143,010
<PREFERRED-MANDATORY>		1,780,585
<PREFERRED>		0
<LONG-TERM-DEBT-NET>		30,451
<SHORT-TERM-NOTES>		1,137,263
<LONG-TERM-NOTES-PAYABLE>		80,274
<COMMERCIAL-PAPER-OBLIGATIONS>		92,910
<LONG-TERM-DEBT-CURRENT-PORT>		101,300
<PREFERRED-STOCK-CURRENT>		30,395
<CAPITAL-LEASE-OBLIGATIONS>		0
<LEASES-CURRENT>		19,569
<OTHER-ITEMS-CAPITAL-AND-LIAB>		19,238
<TOT-CAPITALIZATION-AND-LIAB>		1,092,660
<GROSS-OPERATING-REVENUE>		4,384,645
<INCOME-TAX-EXPENSE>		471,122
<OTHER-OPERATING-EXPENSES>		36,629
<TOTAL-OPERATING-EXPENSES>		349,921
<OPERATING-INCOME-LOSS>		386,550
<OTHER-INCOME-NET>		84,572
<INCOME-BEFORE-INTEREST-EXPEN>		6,094
<TOTAL-INTEREST-EXPENSE>		90,666
<NET-INCOME>		27,831
<PREFERRED-STOCK-DIVIDENDS>		62,835
<EARNINGS-AVAILABLE-FOR-COMM>		301
<COMMON-STOCK-DIVIDENDS>		62,534
<TOTAL-INTEREST-ON-BONDS>		38,433
<CASH-FLOW-OPERATIONS>		0
<EPS-PRIMARY>		178,271
<EPS-DILUTED>		.57
<FN>		.57

See financial statements and footnotes in accompanying 10-Q.
</TABLE>

WISCONSIN ENERGY CORPORATION

PART II - OTHER INFORMATION (Cont'd)

MERGER AGREEMENT WITH NORTHERN STATES POWER COMPANY (Cont'd)

third-party proposal for a business combination. Any party whose option becomes exercisable (the "Exercising Party") may request the other party to repurchase from it all or any portion of the Exercising Party's option at the price specified in the Stock Option Agreements. (See the Stock Option Agreements).

Primergy is expected to be the tenth-largest investor-owned utility company in the United States based on the \$6.0 billion current combined market capitalization of WEC and NSP. For the year-ended December 31, 1994, the combined revenues of WEC and NSP were \$4.2 billion, with total assets of more than \$10 billion. Primergy will serve approximately 2.3 million electric customers and 750,000 natural gas customers. Its service territory will include portions of Minnesota, Wisconsin, North Dakota, South Dakota and the Upper Peninsula of Michigan. The business of Primergy will consist of utility operations and various non-utility enterprises, including independent power projects.

A preliminary estimate indicates that the Transaction will result in net savings of approximately \$2.0 billion in costs over 10 years. The synergies created by the Transaction will allow the companies to implement a reduction in electric retail rates followed by a rate freeze for electric retail customers through the year 2000.

Following announcement of the Transaction, on May 1, 1995 Standard & Poor's Corporation ("S&P") reported that it was placing on CreditWatch with negative implications its AA+ senior secured debt and AA+ preferred stock ratings of WEPCO and its AA senior unsecured debt rating of Wisconsin Michigan Investment Corporation (a non-utility subsidiary of WEC). In addition, S&P indicated that while its AA senior secured debt rating of WNG would remain on CreditWatch, where it was placed on April 25, 1994, the implications were revised to negative from positive. S&P stated that if the Transaction is completed, the likely credit rating for the senior secured debt of WEPCO is expected to be AA or AA-. As part of its ratings process, S&P intends to review the financial and operating plans of the merged utilities. Also on May 1, 1995, citing WEPCO's continued operation as a separate utility subsidiary after the Transaction, its strength within its rating category and its strong capital structure, Moody's Investors Service confirmed its Aa2 first mortgage bond rating of WEPCO.

Both NSP and WEC recognize that the divestiture of their existing gas operations and certain non-utility operations is a possibility under the new registered holding company structure, but will seek approval from the SEC to maintain such businesses. If divestiture is ultimately required, the SEC has historically allowed companies sufficient time to accomplish divestitures in a manner that protects shareholder value.

WISCONSIN ENERGY CORPORATION
PART II - OTHER INFORMATION (Cont'd)

FINANCIAL STATEMENTS OF NSP

The consolidated financial statements of NSP listed in the descriptions of Exhibits (99)-1 and (99)-2 in paragraph (a) of Item 6 of this report are incorporated herein by reference. The audited financial statements so listed are included in Item 8 of NSP's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (File No. 1-3034). The unaudited interim financial statements so listed are included in Item 1 in Part I of NSP's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 (File No. 1-3034).

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma financial information combines the historical consolidated balance sheets and statements of income of NSP and WEC after giving effect to the proposed business combination transaction ("Transaction") to form Primergy Corporation ("Primergy"). The unaudited pro forma combined condensed balance sheet at March 31, 1995 gives effect to the Transaction as if it had occurred at March 31, 1995. The unaudited pro forma combined condensed statements of income for each of the three years in the period ended December 31, 1994, the three months ended March 31, 1995 and 1994 and the twelve months ended March 31, 1995, give effect to the Transaction as if it had occurred at January 1, 1992. These statements are prepared on the basis of accounting for the Transaction as a pooling of interests and are based on the assumptions set forth in the notes thereto.

The WEC income statements for the three months ended March 31, 1994 and the fiscal year ended December 31, 1994 include a significant one-time pretax charge of \$73.9 million for revitalization costs recorded in the first quarter of 1994. To provide a more representative recent twelve-month period summarizing combined operating results, a pro forma combined condensed statement of income for the twelve months ended March 31, 1995 is also presented.

The following pro forma financial information has been prepared from, and should be read in conjunction with, the historical consolidated financial statements and related notes thereto of NSP and WEC. The following information is not necessarily indicative of the financial position or operating results that would have occurred had the Transaction been consummated on the date, or at the beginning of the periods, for which the Transaction is being given effect nor is it necessarily indicative of future operating results or financial position.

PRIMERGY CORPORATION
UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

FORM 10-Q

MARCH 31, 1995
(In thousands)

Pro Forma Balance Sheet	NSP (As Reported)	VEC (As Reported)	Pro Forma Adjustments	Pro Forma Combined
----- Assets				
Utility Plant				
Electric				
Gas	\$ 6,417,107	\$ 4,544,978	\$ -	\$ 10,952,085
Other	679,587	471,559	-	1,151,146
	271,924	40,114	-	312,038
Total	7,358,618	5,056,651	-	12,415,269
Accumulated provision for depreciation	(3,119,171)	(2,184,573)	-	(5,303,744)
Nuclear fuel - net	90,795	55,759	-	146,554
Net Utility Plant	4,260,242	2,927,837	-	7,188,079
Current Assets				
Cash and cash equivalents	316,525	16,831	-	333,356
Accounts receivable - net	290,284	128,879	-	419,163
Accrued utility revenues	111,999	103,737	-	215,736
Fossil fuel inventories	66,229	65,998	-	132,227
Material & supplies inventories	104,739	70,099	-	174,838
Prepayments and other	50,754	72,271	-	123,025
Total Current Assets	610,530	457,815	-	1,068,345
Other Assets				
Regulatory Assets				
External decommissioning fund	351,729	332,089	-	683,818
Investments in non-regulated projects and other investments	160,731	239,940	-	400,671
Non-regulated property - net	220,080	115,346	-	335,426
Intangible assets and other (Note 4)	175,654	97,907	-	273,561
	135,410	213,711	(139,758)	209,363
Total Other Assets	1,043,604	998,993	(139,758)	1,902,839
Total Assets	\$ 5,914,376	\$ 4,384,645	\$ (139,758)	\$ 10,159,263
----- Liabilities and Equity				
Capitalization				
Common stock equity:				
Common stock (Note 1)	\$ 168,186	\$ 1,094	\$ (167,092)	\$ 2,188
Other stockholders' equity (Note 1)	1,751,891	1,779,491	167,092	3,698,474
Total Common Stock Equity	1,920,077	1,780,585	-	3,700,562
Cumulative preferred stock and premium	240,469	30,451	-	270,920
Long-term debt	1,456,217	1,269,742	-	2,725,959
Total Capitalization	3,616,763	3,060,778	-	6,677,541
Current Liabilities				
Current portion of long-term debt	160,606	49,633	-	210,239
Short-term debt	157,648	181,574	-	339,222
Accounts payable	179,279	79,787	-	259,066
Taxes accrued	256,616	38,617	-	295,233
Other accrued liabilities	137,255	96,543	-	233,798
Total Current Liabilities	693,404	446,154	-	1,139,558
Other Liabilities				
Deferred income taxes (Note 4)	850,823	478,974	(139,758)	1,190,039
Deferred investment tax credits	171,544	93,034	-	264,578
Regulatory liabilities	201,329	172,466	-	373,795
Other liabilities and deferred credits	173,513	133,239	-	306,752
Total Other Liabilities	1,404,209	877,713	(139,758)	2,142,164
Total Capitalization and Liabilities	\$ 5,914,376	\$ 4,384,645	\$ (139,758)	\$ 10,159,263

PRIMERGY CORPORATION
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENTS OF INCOME
3 MONTHS ENDED MARCH 31, 1995

(In thousands, except per share amounts)

	MSP (As Reported)	SEC (As Reported)	Pro Forma Adjustments	Pro Forma Combined
Utility Operating Revenues				
Electric	\$ 497,314	\$ 343,919	\$ -	\$ 841,233
Gas	163,853	121,100	-	284,953
Steam	-	6,103	-	6,103
Total Operating Revenues	661,167	471,122	-	1,132,289
Utility Operating Expenses				
Electric Production-Fuel and Purchased Power	135,071	86,895	-	221,966
Cost of Gas Sold & Transported	99,301	72,803	-	172,104
Other Operation	130,627	97,760	-	228,387
Maintenance	37,767	28,372	-	66,139
Depreciation and Amortization	71,831	44,712	-	116,543
Taxes Other Than Income Taxes	62,279	19,379	-	81,658
Revitalization Charges	-	-	-	-
Income Taxes	36,593	36,629	-	73,222
Total Operating Expenses	573,469	386,550	-	960,019
Utility Operating Income	87,698	84,572	-	172,270
Other Income (Expense)				
Equity Earnings of Unconsolidated Investees	10,506	-	-	10,506
Other Income and Deductions - Net	761	6,094	-	6,855
Total Other Income (Expense)	11,267	6,094	-	17,361
Income Before Interest Charges and Preferred Dividends	98,965	90,666	-	189,631
Interest Charges	30,775	27,831	-	58,606
Preferred Dividends of Subsidiaries	3,201	301	-	3,502
Net Income	\$ 64,989	\$ 62,534	\$ -	\$ 127,523
Average Common Shares Outstanding (Note 1)	67,004	109,133	41,945	218,082
Earnings Per Common Share	\$ 0.97	\$ 0.57		\$ 0.58

See accompanying notes to pro forma combined condensed financial statements.

PRIMERGY CORPORATION
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENTS OF INCOME

3 MONTHS ENDED MARCH 31, 1994

(In thousands, except per share amounts)

	HSP (As Reported)	WEC (As Reported)	Pro Forma Adjustments	Pro Forma Combined
Utility Operating Revenues				
Electric				
Gas	\$ 494,031	\$ 355,239	\$ -	\$ 849,270
Steam	189,431	147,579	-	337,010
		6,863	-	6,863
Total Operating Revenues	683,462	509,681	-	1,193,143
Utility Operating Expenses				
Electric Production-Fuel and Purchased Power	132,471	84,070	-	216,541
Cost of Gas Sold & Transported	121,805	91,153	-	212,958
Other Operation	133,487	107,473	-	240,960
Maintenance	40,469	33,516	-	73,985
Depreciation and Amortization	67,345	44,039	-	111,384
Taxes Other Than Income Taxes	59,929	21,068	-	80,997
Revitalization Charges	-	73,900	-	73,900
Income Taxes	42,161	11,026	-	53,187
Total Operating Expenses	597,667	466,245	-	1,063,912
Utility Operating Income	85,795	43,436	-	129,231
Other Income (Expense)				
Equity Earnings of Unconsolidated Investees	(107)	-	-	(107)
Other Income and Deductions - Net	4,474	6,510	-	10,984
Total Other Income (Expense)	4,367	6,510	-	10,877
Income Before Interest Charges and Preferred Dividends	90,162	49,946	-	140,108
Interest Charges	24,368	26,735	-	51,103
Preferred Dividends of Subsidiaries	3,057	389	-	3,446
Net Income	\$ 62,737	\$ 22,822	\$ -	\$ 85,559
Average Common Shares Outstanding (Note 1)	66,742	107,238	41,780	215,760
Earnings Per Common Share	\$ 0.94	\$ 0.21		\$ 0.40

See accompanying notes to pro forma combined condensed financial statements.

PRIMERGY CORPORATION
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENTS OF INCOME

12 MONTHS ENDED MARCH 31, 1995

(In thousands, except per share amounts)

	MSP (As Reported)	LEC (As Reported)	Pro Forma Adjustments	Pro Forma Combined
Utility Operating Revenues				
Electric	\$2,069,927	\$1,392,242	\$ -	\$3,462,169
Gas	394,325	297,870	-	692,195
Steam	-	13,521	-	13,521
Total Operating Revenues	2,464,252	1,703,633	-	4,167,885
Utility Operating Expenses				
Electric Production-Fuel and Purchased Power	573,477	331,310	-	904,787
Cost of Gas Sold & Transported	240,939	181,161	-	422,100
Other Operation	533,310	389,298	-	922,608
Maintenance	167,444	119,458	-	286,902
Depreciation and Amortization	278,287	178,287	-	456,574
Taxes Other Than Income Taxes	236,914	74,346	-	311,260
Revitalization Charges	-	-	-	-
Income Taxes	123,661	125,364	-	249,025
Total Operating Expenses	2,154,032	1,399,224	-	3,553,256
Utility Operating Income	310,220	304,409	-	614,629
Other Income (Expense)				
Equity Earnings of Unconsolidated Investees	46,477	-	-	46,477
Other Income and Deductions - Net	2,797	26,549	-	29,346
Total Other Income (Expense)	49,274	26,549	-	75,823
Income Before Interest Charges and Preferred Dividends	359,494	330,958	-	690,452
Interest Charges	113,623	109,115	-	222,738
Preferred Dividends of Subsidiaries	12,509	1,263	-	13,772
Net Income	\$ 233,362	\$ 220,580	\$ -	\$ 453,942
Average Common Shares Outstanding (Note 1)	66,896	108,492	41,877	217,265
Earnings Per Common Share	\$ 3.49	\$ 2.03		\$ 2.09

See accompanying notes to pro forma combined condensed financial statements.

PRIMERGY CORPORATION

FORM 10-O

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENTS OF INCOME

12 MONTHS ENDED DECEMBER 31, 1994

(In thousands, except per share amounts)

	HSP (As Reported)	WEC (As Reported)	Pro Forma Adjustments	Pro Forma Combined
Utility Operating Revenues				
Electric				
Gas	\$2,066,644	\$1,403,562	\$ -	\$3,470,206
Steam	419,903	324,349	-	744,252
		14,281	-	14,281
Total Operating Revenues	2,486,547	1,742,192	-	4,228,739
Utility Operating Expenses				
Electric Production-Fuel and Purchased Power	570,880	328,485	-	899,365
Cost of Gas Sold & Transported	263,443	199,511	-	462,954
Other Operation	536,168	399,011	-	935,179
Maintenance	170,145	124,602	-	294,747
Depreciation and Amortization	273,801	177,614	-	451,415
Taxes Other Than Income Taxes	234,564	76,035	-	310,599
Revitalization Charges	-	73,900	-	73,900
Income Taxes	129,228	99,761	-	228,989
Total Operating Expenses	2,178,229	1,478,919	-	3,657,148
Utility Operating Income	308,318	263,273	-	571,591
Other Income (Expense)				
Equity Earnings of Unconsolidated Investees	35,863	-	-	35,863
Other Income and Deductions - Net	6,509	26,965	-	33,474
Total Other Income (Expense)	42,372	26,965	-	69,337
Income Before Interest Charges and Preferred Dividends	350,690	290,238	-	640,928
Interest Charges	107,215	108,019	-	215,234
Preferred Dividends of Subsidiaries	12,364	1,351	-	13,715
Net Income	\$ 231,111	\$ 180,868	\$ -	\$ 411,979
Average Common Outstanding Shares (Note 1)	66,845	108,025	41,845	216,715
Earnings Per Common Share	\$ 3.46	\$ 1.67		\$ 1.90

See accompanying notes to pro forma combined condensed financial statements.

PRIMERGY CORPORATION
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENTS OF INCOME

12 MONTHS ENDED DECEMBER 31, 1993

(In thousands, except per share amounts)

	NSP (As Reported)	WEC (As Reported)	Pro Forma Adjustments	Pro Forma Combined
Utility Operating Revenues				
Electric	\$1,974,916	\$1,347,844	\$ -	\$3,322,760
Gas	429,076	331,301	-	760,377
Steam	-	14,090	-	14,090
Total Operating Revenues	2,403,992	1,693,235	-	4,097,227
Utility Operating Expenses				
Electric Production-Fuel and Purchased Power	524,126	318,265	-	842,391
Cost of Gas Sold & Transported	282,028	214,132	-	496,160
Other Operation	516,568	399,135	-	915,703
Maintenance	161,413	156,085	-	317,498
Depreciation and Amortization	264,517	167,066	-	431,583
Taxes Other Than Income Taxes	223,108	74,653	-	297,761
Revitalization Charges	-	-	-	-
Income Taxes	128,346	98,463	-	226,809
Total Operating Expenses	2,100,106	1,427,799	-	3,527,905
Utility Operating Income	303,886	265,436	-	569,322
Other Income (Expense)				
Equity Earnings of Unconsolidated Investees	3,030	-	-	3,030
Other Income and Deductions - Net	12,916	32,073	-	44,989
Total Other Income (Expense)	15,946	32,073	-	48,019
Income Before Interest Charges and Preferred Dividends	319,832	297,509	-	617,341
Interest Charges	108,092	102,997	-	211,089
Preferred Dividends of Subsidiaries	14,580	4,377	-	18,957
Net Income	\$ 197,160	\$ 190,135	\$ -	\$ 387,295
Average Common Shares Outstanding (Note 1)	65,211	105,878	40,822	211,911
Earnings Per Common Share	\$ 3.02	\$ 1.80		\$ 1.83

See accompanying notes to pro forma combined condensed financial statements.

PRIMERGY CORPORATION
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENTS OF INCOME

12 MONTHS ENDED DECEMBER 31, 1992

(In thousands, except per share amounts)

	HSP (As Reported)	WEC (As Reported)	Pro Forma Adjustments	Pro Forma Combined
Utility Operating Revenues				
Electric				
Gas	\$1,023,316	\$1,298,723	\$ -	\$3,122,039
Steam	336,206	283,699	-	619,905
		13,093	-	13,093
Total Operating Revenues	2,159,522	1,595,515	-	3,755,037
Utility Operating Expenses				
Electric Production-Fuel and Purchased Power	451,696	330,461	-	782,157
Cost of Gas Sold & Transported	220,370	177,947	-	398,317
Other Operation	512,833	367,020	-	879,853
Maintenance	180,585	150,462	-	331,047
Depreciation and Amortization	242,914	164,367	-	407,281
Taxes Other Than Income Taxes	204,439	73,714	-	278,153
Revitalization Charges	-	-	-	-
Income Taxes	90,669	89,838	-	180,507
Total Operating Expenses	1,903,506	1,353,809	-	3,257,315
Utility Operating Income	256,016	241,706	-	497,722
Other Income (Expense)				
Equity Earnings of Unconsolidated Investees	2,382	-	-	2,382
Other Income and Deductions - Net	5,570	26,136	-	31,706
Total Other Income (Expense)	7,952	26,136	-	34,088
Income Before Interest Charges and Preferred Dividends	263,968	267,842	-	531,810
Interest Charges	103,040	90,687	-	193,727
Preferred Dividends of Subsidiaries	16,172	5,916	-	22,088
Income Before Accounting Change	\$ 144,756	\$ 171,239	\$ -	\$ 315,995
Average Common Shares Outstanding (Note 1)	62,641	103,382	39,213	205,236
Earnings Per Common Share	\$ 2.31	\$ 1.66	\$ -	\$ 1.54

See accompanying notes to pro forma combined condensed financial statements.

PRIMERGY CORPORATION

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

1. The pro forma combined condensed financial statements reflect the conversion of each share of NSP Common Stock outstanding (\$2.50 par value) into 1.626 shares of Primergy Common Stock (\$.01 par value) and the continuation of each share of WEC Common Stock outstanding as one share of Primergy Common Stock (\$.01 par value), as provided in the Merger Agreement. The pro forma combined condensed financial statements are presented as if the companies were combined during all periods included therein.
2. The allocation between NSP and WEC and their customers of the estimated cost savings resulting from the Transaction, net of the costs incurred to achieve such savings, will be subject to regulatory review and approval. Transaction costs are currently estimated to be approximately \$30 million (including fees for financial advisors, accountants, attorneys, filings and printing). None of the estimated cost savings, the cost to achieve such savings, or the transaction costs have been reflected in the pro forma combined condensed financial statements.
3. Intercompany transactions (including purchased and exchanged power transactions) between NSP and WEC during the periods presented were not material and, accordingly, no pro forma adjustments were made to eliminate such transactions.
4. A pro forma adjustment has been made to conform the presentation of noncurrent deferred income taxes in the pro forma combined condensed balance sheet into one net amount. All other report presentation and accounting policy differences are immaterial and have not been adjusted in the pro forma combined condensed financial statements.

WISCONSIN ENERGY CORPORATION

PART II - OTHER INFORMATION (Cont'd)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**(a) Exhibits.**

The following Exhibits are filed with this report:

- (23)-1 Independent Auditors' Consent of Deloitte & Touche LLP.
- (27)-1 Wisconsin Energy Corporation Financial Data Schedule for the three months ended March 31, 1995.

The following Exhibits are incorporated herein by reference:

- (2)-1 Agreement and Plan of Merger, dated as of April 28, 1995, by and among Northern States Power Company, Wisconsin Energy Corporation, Northern Power Wisconsin Corp. and WEC Sub Corp. (Exhibit (2)-1 to Wisconsin Energy Corporation's Current Report on Form 8-K dated as of April 28, 1995, File No. 1-9057.) ("WEC's 4/28/95 8-K")
- (2)-2 WEC Stock Option Agreement, dated as of April 28, 1995, by and among Northern States Power Company and Wisconsin Energy Corporation. (Exhibit (2)-2 to WEC's 4/28/95 8-K.)
- (2)-3 NSP Stock Option Agreement, dated as of April 28, 1995, by and among Wisconsin Energy Corporation and Northern States Power Company. (Exhibit (2)-3 to WEC's 4/28/95 8-K.)
- (2)-4 Committees of the Board of Directors of Primergy Corporation. (Exhibit (2)-4 to WEC's 4/28/95 8-K.)
- (2)-5 Form of Employment Agreement of James J. Howard. (Exhibit (2)-5 to WEC's 4/28/95 8-K.)
- (2)-6 Form of Employment Agreement of Richard A. Abdo. (Exhibit (2)-6 to WEC's 4/28/95 8-K.)
- (2)-7 Form of Amended and Restated Articles of Incorporation of Northern Power Wisconsin Corp. (Exhibit (2)-7 to WEC's 4/28/95 8-K.)
- (2)-8 Letter Agreement, dated January 17, 1995, between Northern States Power Company and Wisconsin Energy Corporation. (Exhibit (2)-8 to WEC's Schedule 13D dated May 4, 1995 with respect to the NSP Stock Option Agreement.)
- (2)-9 Letter Agreement, dated April 26, 1995, between Northern States Power Company and Wisconsin Energy Corporation amending Letter Agreement dated January 17, 1995. (Exhibit (2)-9 to WEC's Schedule 13D dated May 4, 1995 with respect to the NSP Stock Option Agreement.)

WISCONSIN ENERGY CORPORATION
PART II - OTHER INFORMATION (Cont'd)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (Cont'd)

- (99)-1 Audited Financial Statements of Northern States Power Company. (Item 8 of Northern States Power Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, File No. 1-3034):

Independent Auditors' Report.

Consolidated Statements of Income for the three years ended December 31, 1994.

Consolidated Statements of Cash Flows for the three years ended December 31, 1994.

Consolidated Balance Sheets at December 31, 1994 and 1993.

Consolidated Statements of Changes in Common Stockholders' Equity for the three years ended December 31, 1994.

Consolidated Statements of Capitalization at December 31, 1994 and 1993.

Notes to Financial Statements.

- (99)-2 Unaudited Interim Financial Statements of Northern States Power Company. (Item 1 in Part I of Northern States Power Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, File No. 1-3034):

Consolidated Statements of Income for the three months ended March 31, 1995 and 1994.

Consolidated Statements of Cash Flows for the three months ended March 31, 1995 and 1994.

Consolidated Balance Sheets at March 31, 1995 and December 31, 1994.

Notes to Financial Statements.

- (99)-3 Press Release, dated May 1, 1995, of Wisconsin Energy Corporation. (Exhibit (99)-1 to WEC's 4/28/95 8-K.)

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended March 31, 1995.

A Current Report on Form 8-K dated as of April 28, 1995 was filed on May 3, 1995 with respect to the Merger Agreement.

WISCONSIN ENERGY CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WISCONSIN ENERGY CORPORATION

(Registrant)

Date: May 12, 1995

s/ R. A. Abdo

R. A. Abdo, Chairman of the Board,
President and Chief Executive
Officer

Date: May 12, 1995

s/ J. G. Remmel

J. G. Remmel, Vice President
and Treasurer - Principal
Financial Officer

WISCONSIN ENERGY CORPORATION

EXHIBIT INDEX

**Quarterly Report on Form 10-Q
For the Quarter Ended March 31, 1995**

**Exhibit
Number**

The following Exhibits are filed with this report:

- (23)-1 Independent Auditors' Consent of Deloitte & Touche LLP.
- (27) Wisconsin Energy Corporation Financial Data Schedule for the three months ended March 31, 1995.

The following Exhibits are incorporated herein by reference:

- (2)-1 Agreement and Plan of Merger, dated as of April 28, 1995, by and among Northern States Power Company, Wisconsin Energy Corporation, Northern Power Wisconsin Corp. and WEC Sub Corp. (Exhibit (2)-1 to Wisconsin Energy Corporation's Current Report on Form 8-K dated as of April 28, 1995, File No. 1-9057.) ("WEC's 4/28/95 8-K")
- (2)-2 WEC Stock Option Agreement, dated as of April 28, 1995, by and among Northern States Power Company and Wisconsin Energy Corporation. (Exhibit (2)-2 to WEC's 4/28/95 8-K.)
- (2)-3 NSP Stock Option Agreement, dated as of April 28, 1995, by and among Wisconsin Energy Corporation and Northern States Power Company. (Exhibit (2)-3 to WEC's 4/28/95 8-K.)
- (2)-4 Committees of the Board of Directors of Primergy Corporation. (Exhibit (2)-4 to WEC's 4/28/95 8-K.)
- (2)-5 Form of Employment Agreement of James J. Howard. (Exhibit (2)-5 to WEC's 4/28/95 8-K.)
- (2)-6 Form of Employment Agreement of Richard A. Abdo. (Exhibit (2)-6 to WEC's 4/28/95 8-K.)
- (2)-7 Form of Amended and Restated Articles of Incorporation of Northern Power Wisconsin Corp. (Exhibit (2)-7 to WEC's 4/28/95 8-K.)
- (2)-8 Letter Agreement, dated January 17, 1995, between Northern States Power Company and Wisconsin Energy Corporation. (Exhibit (2)-8 to WEC's Schedule 13D dated May 4, 1995 with respect to the NSP Stock Option Agreement.)

WISCONSIN ENERGY CORPORATION

 PART II - OTHER INFORMATION (Cont'd)

The following Exhibits are incorporated herein by reference (Cont'd):

- (2)-9 Letter Agreement, dated April 26, 1995, between Northern States Power Company and Wisconsin Energy Corporation amending Letter Agreement dated January 17, 1995. (Exhibit (2)-9 to WEC's Schedule 13D dated May 4, 1995 with respect to the NSP Stock Option Agreement.)
- (99)-1 Audited Financial Statements of Northern States Power Company. (Item 8 of Northern States Power Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, File No. 1-3034):
- Independent Auditors' Report.
 - Consolidated Statements of Income for the three years ended December 31, 1994.
 - Consolidated Statements of Cash Flows for the three years ended December 31, 1994.
 - Consolidated Balance Sheets at December 31, 1994 and 1993.
 - Consolidated Statements of Changes in Common Stockholders' Equity for the three years ended December 31, 1994.
 - Consolidated Statements of Capitalization at December 31, 1994 and 1993.
 - Notes to Financial Statements.
- (99)-2 Unaudited Interim Financial Statements of Northern States Power Company. (Item 1 in Part I of Northern States Power Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, File No. 1-3034):
- Consolidated Statements of Income for the three months ended March 31, 1995 and 1994.
 - Consolidated Statements of Cash Flows for the three months ended March 31, 1995 and 1994.
 - Consolidated Balance Sheets at March 31, 1995 and December 31, 1994.
 - Notes to Financial Statements.
- (99)-3 Press Release, dated May 1, 1995, of Wisconsin Energy Corporation. (Exhibit (99)-1 to WEC's 4/28/95 8-K.)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statements and related Prospectuses of Wisconsin Energy Corporation, listed below, of our report dated February 8, 1995, which expresses an unqualified opinion and includes an explanatory paragraph relating to Northern States Power Company's change in method of accounting for certain postretirement health care costs in 1993, appearing in Item 8 of the Annual Report on Form 10-K of Northern States Power Company (Minnesota) (File No. 1-3034) for the year ended December 31, 1994.

1. Registration Statements on Form S-3 (Registration Nos. 33-43737 and 33-57765) - Stock Plus Investment Plan
2. Registration Statement on Form S-8 (Registration No. 33-34656) -- Represented Employee Savings Plan
3. Registration Statement on Form S-8 (Registration No. 33-34657) - Management Employee Savings Plan

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
May 12, 1995

<ARTICLE>
<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED FINANCIAL STATEMENTS OF WISCONSIN ENERGY CORPORATION FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

UT

<MULTIPLIER>	1,000
<TABLE>	
<S>	
<CURRENCY>	<C>
<FISCAL-YEAR-END>	U.S. DOLLARS
<PERIOD-START>	DEC-31-1995
<PERIOD-END>	JAN-01-1995
<PERIOD-TYPE>	MAR-31-1995
<EXCHANGE-RATE>	3-MOS
<BOOK-VALUE>	1
<TOTAL-NET-UTILITY-PLANT>	PER-BOOK
<OTHER-PROPERTY-AND-INVEST>	2,927,837
<TOTAL-CURRENT-ASSETS>	608,757
<TOTAL-DEFERRED-CHARGES>	457,815
<OTHER-ASSETS>	0
<TOTAL-ASSETS>	390,236
<COMMON>	4,384,645
<CAPITAL-SURPLUS-PAID-IN>	1,094
<RETAINED-EARNINGS>	636,481
<TOTAL-COMMON-STOCKHOLDERS-EQ>	1,143,010
<PREFERRED-MANDATORY>	1,780,585
<PREFERRED>	0
<LONG-TERM-DEBT-NET>	30,451
<SHORT-TERM-NOTES>	1,137,263
<LONG-TERM-NOTES-PAYABLE>	80,274
<COMMERCIAL-PAPER-OBLIGATIONS>	92,910
<LONG-TERM-DEBT-CURRENT-PART>	101,300
<PREFERRED-STOCK-CURRENT>	30,395
<CAPITAL-LEASE-OBLIGATIONS>	0
<LEASES-CURRENT>	19,569
<OTHER-ITEMS-CAPITAL-AND-LIAB>	19,238
<TOT-CAPITALIZATION-AND-LIAB>	1,092,660
<GROSS-OPERATING-REVENUE>	4,384,645
<INCOME-TAX-EXPENSE>	471,122
<OTHER-OPERATING-EXPENSES>	36,629
<TOTAL-OPERATING-EXPENSES>	349,921
<OPERATING-INCOME-LOSS>	386,550
<OTHER-INCOME-NET>	84,572
<INCOME-BEFORE-INTEREST-EXPEN>	6,094
<TOTAL-INTEREST-EXPENSE>	90,666
<NET-INCOME>	27,831
<PREFERRED-STOCK-DIVIDENDS>	62,835
<EARNINGS-AVAILABLE-FOR-COMM>	301
<COMMON-STOCK-DIVIDENDS>	62,534
<TOTAL-INTEREST-ON-BONDS>	38,433
<CASH-FLOW-OPERATIONS>	0
<EPS-PRIMARY>	178,271
<EPS-DILUTED>	.57
<FN>	.57

See financial statements and footnotes in accompanying 10-Q.
</TABLE>

Attachment E

FILING REQUIREMENTS FOR PETITIONS TO ACQUIRE PROPERTY
Minn. Rule 7825.1800

A. Petitions for approval of a merger must provide:

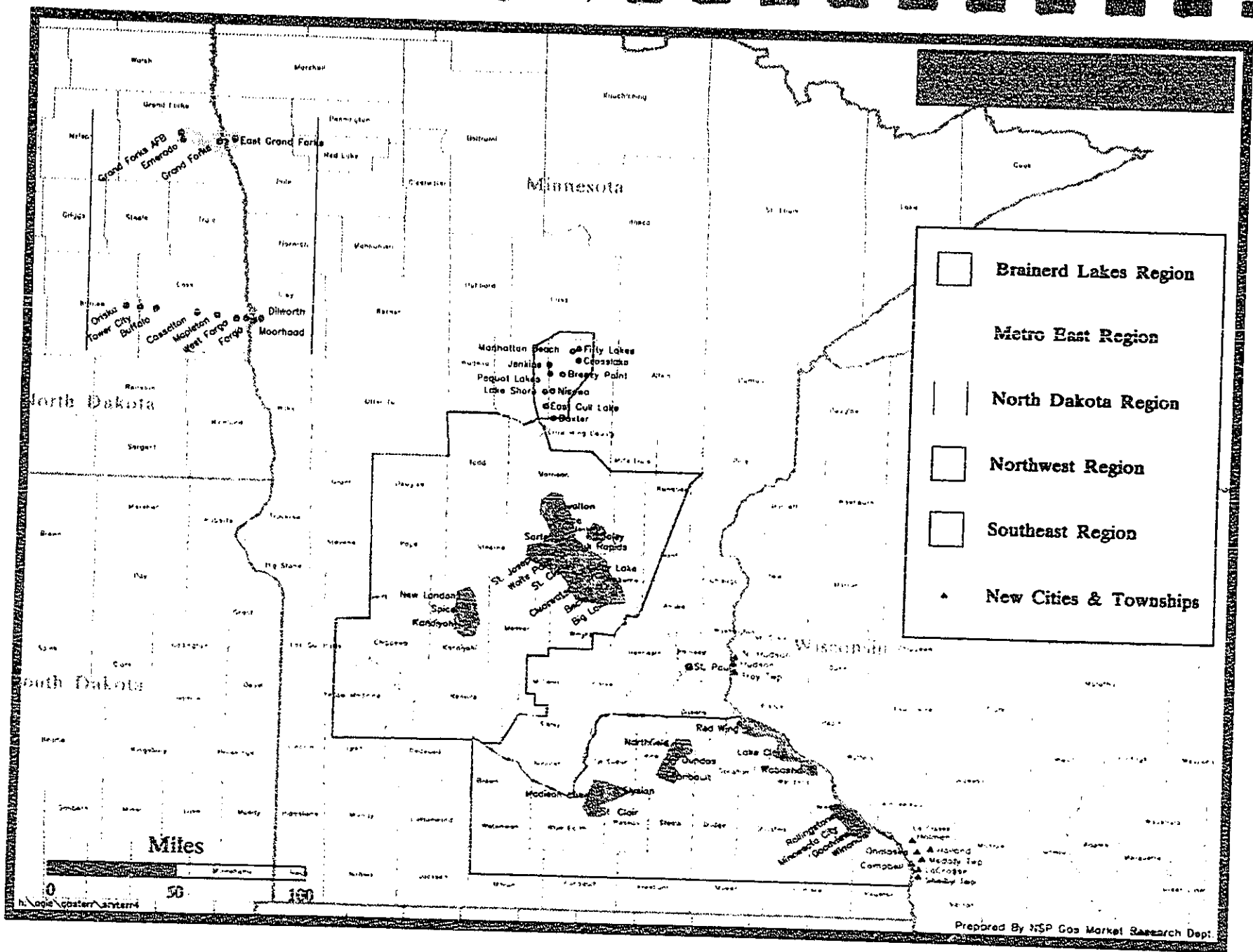
- Petition signed by all parties:
See petition and Attachment D, Exhibit P
- All information as required by 7825.1400 and 1500:
See Attachment D
- Detailed reasons for entering into the transaction and all facts warranting same:
Embodied in the petition.
- Terms and conditions of the proposed merger:
See Attachment D, Exhibit P

B. Petitions for approval of a transfer of property must provide:

- Information as required by 7825.1400, A-J:
See Attachments D and F
- Agreed upon price and terms:
See Petition at Section V

C. Description of the property involved:

- For the merger of NSP and WEC, this information can be found in the merger joint application with FERC, Docket No. ER95-16-000, in the exhibits to the testimony of Mr. Scott Weatherby (SLW_4 through 9).
- For the gas property transfer from NSP-Wisconsin to NSP, see the following schedules to Attachment E: E.2.2, E.2.3 and E.2.4.



Brainerd Lakes Region

Metro East Region

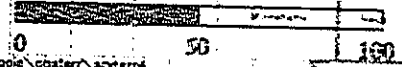
North Dakota Region

Northwest Region

Southeast Region

▲ New Cities & Townships

Miles



Attachment E.2.3

Gas plant transfer of La Crosse and Hudson areas will cover two heavily populated customer regions. Hudson area includes 2 cities and 2 surrounding communities. La Crosse area includes 2 cities and 6 surrounding communities. Both areas border NSP(MN) Company service territory. The Gas Storage facilities located in La Crosse include a Liquefied Natural Gas (LNG) plant along with a Propane Air (LPG) plant.

Gas Distribution plant is comprised of 137,231 feet of metallic main ranging 3/4" to 8", age 1945-1995 in the Hudson area, and 602,507 feet metallic main ranging 3/4" to 16", age 1894-1995 for the La Crosse area. Plastic main connects 459,211 feet, ranging 5/8" to 4", age 1966-1995 for the Hudson area, and 1,218,184 feet, ranging 5/8" to 4", age 1966-1995 for the respective La Crosse area. Sixteen regulating stations, age 1960-1995 reside in Hudson area and 65 regulating stations, age 1960-1995 are located in the La Crosse area. One (1) Town Border Station is found in North Hudson with three (3) located in La Crosse area, age 1986-1993. Gas metallic services run 61,952 feet, ranging 3/4" to 3", age 1947-1995 within the Hudson area, and 201,539 feet, ranging 3/4" to 6", age 1902-1995 within La Crosse area. Plastic services run 401,227 feet, range 5/8" to 4", age 1966-1995 in the Hudson area, and 1,553,868 feet, ranging 5/8" to 4", age 1966-1995 serving La Crosse area. Gas customer metering reflect 10,085 in Hudson and 25,885 in La Crosse areas respectively. Meter installations both regular and special total 4,190, age 1949-1995 within Hudson area, and 23,864 installations, age 1941-1995 in La Crosse area. House regulators total 3,945, range 1" to 2", age 1949-1995 for the Hudson area and 21,538 regulators, ranging 1" to 3", age 1960-1995 for our La Crosse area.

Gas General property includes land and structure located in La Crosse (La Crosse Gas Shop). Office furniture and data processing equipment reside at each area's service center along with tools, shop and garage equipment, laboratory and power operated equipment, and a small amount of communications equipment.

The gas property involved in this transfer represents 36.8% of the total Gas Plant in Wisconsin, with 7.7% located within Hudson area and 29.1% residing in the La Crosse area. Net Gas Plant for the above areas is also 36.8% of total Wisconsin.

LIST OF NSP-WISCONSIN NATURAL GAS FRANCHISES
TO BE TRANSFERRED TO NEW NSP

Name	County	Corporate Status
<u>Hudson Area:</u>		
Hudson	St. Croix	City
Hudson	St. Croix	Town
North Hudson	St. Croix	Village
Troy	St. Croix	Town
<u>La Crosse Area:</u>		
Campbell	La Crosse	Town
Holland	La Crosse	Town
Holmen	La Crosse	City
La Crosse	La Crosse	City
Medary	La Crosse	Town
Onalaska	La Crosse	City
Onalaska	La Crosse	Town
Shelby	La Crosse	Town

ATTACHMENT E

ACCOUNTING JOURNAL ENTRIES FOR
THE MERGER OF NSP & WEC

Three sets of transactions will occur for NSP in connection with the consummation of the proposed merger with Wisconsin Energy Corporation (WEC) to form Primergy:

1. Discontinuation of the consolidation of NSP subsidiaries in financial reporting.
2. Transfer of all investments in and advances to current NSP subsidiaries to Primergy; elimination of related financing and equity ownership transactions.
3. Purchase of Hudson and La Crosse gas utility assets and liabilities (currently owned by NSP-Wisconsin).

The accounting journal entries corresponding with these transactions will be discussed separately.

1. Discontinuing Consolidation

As the parent company in a consolidated group, NSP-Minnesota currently combines subsidiary operating results (income statement items) and account balances (balance sheet items) with its own corresponding parent company amounts, net of intercompany eliminations, to arrive at the consolidated financial statements of NSP and subsidiaries.

As part of the Primergy merger, NSP's ownership of all current subsidiaries is expected to be transferred to Primergy, which will function as the parent of a new consolidated group of companies. This transfer will result in the discontinuation of NSP's current consolidation process. No actual journal entries will be recorded to achieve this; NSP will simply begin reporting only its own transactions and balances, without combination of subsidiaries and without intercompany eliminations of transactions with the subsidiaries.

2. Elimination of Subsidiary Investments & Financing Transactions

Once NSP has been merged with "New NSP" and WEC Sub (a Primergy subsidiary), Primergy will acquire all of NSP's stock, NSP will transfer all investments and advances to Primergy, and all of NSP's financing and investment transactions with its former subsidiaries will be eliminated. An example of the journal entries necessary to accomplish these steps (pro forma as of June 30, 1995) are attached (Nos. 1-6).

3. Purchase of Hudson & La Crosse Gas Assets & Liabilities

An estimate of the accounting entry to record New NSP's purchase of gas utility assets and liabilities in the Hudson and La Crosse areas would be as follows (as of June 30, 1995, in thousands):

	<u>Debit</u>	<u>Credit</u>
Gas Utility Plant (at original cost)	\$30,756	
Accumulated Depreciation		\$12,612
Accrued utility revenues	320	
Fuel inventories (propane)	70	
Prepayments	308	
Regulatory assets (PUCIP)	382	
Other assets	38	
SUBTOTAL - Assets (Net = \$19,812)	32,424	12,612
Deferred income tax liabilities		1,768
Deferred investment tax credits		350
Regulatory liabilities (PGA, PUCIP)	104	
Customer advances for construction		79
Accounts payable to affiliate		17,719
TOTALS	\$32,528	\$32,528
	====	====

Northern States Power Company (MN)
Pro Forma Adjustments - New NSP
6/30/95

6 Months Ended 6/30/95

Entry # 1 - Reissue Common Stock

	<u>Debit</u>	<u>Credit</u>
Reacquired Capital Stock - ESOP		\$ 13,825,191
Other Paid in Capital		\$ 3,352,993
Installments Received	\$ 629,546	
Premium on Capital Stock	\$ 16,548,638	\$ -

Entry represents the replacement of the NSP MN \$2.50 par stock currently issued and miscellaneous other equity accounts with \$2.50 par common stock of New NSP to be acquired by Primergy, the new parent company.

Entry # 2 - Investments in Subsidiaries

Subsidiary Retained Earnings Items

Undistributed Sub Earn. - Beg. of Year	\$ 238,168,056	
Equity in Subsidiary Earnings - Current	\$ 46,700,963	
Transfer to Appropriated		\$ 108.986
Dividends		\$ 18,205,840
Net Undist. Subs. Earnings - End of Year	\$ 284,869,020	\$ 18,314,826

Other Balance Sheet Items

Retained Earnings - Dividends	\$ 18,205,840	
Premium on Capital Stock	\$ 374,063,733	
Investment in Subsidiaries		\$ 658,823,767

Entry eliminates investments in subsidiaries which will be at the Primergy Corporation level after the merger. The amount of Primergy's equity investment in New NSP will reflect the reduction in net assets related to the transfer of the investments.

Entry # 3 - RDF Notes Receivable

Other Long-term Debt	\$ 9,466,697	
Notes Receivable (current)		\$ 509,419
Advances to Subsidiaries (long-term)		\$ 8,957,278

The notes receivable from NRG for the 1993 Newport RDF transfer will be financed through Primergy Corporation, the parent company after the merger. We are assuming that RDF capital expenditures financed by intercompany borrowings to NRG were funded by tax-exempt RDF bonds (now part of NSP MN). Therefore, the elimination of NRG notes receivable will be assumed to be offset by reductions in long-term debt.

	6 Months Ended 6/30/95	
	<u>Debit</u>	<u>Credit</u>
<u>Entry # 4 - Interest Income RDF Note</u>		
Interest Income		
Interest Expense - Long-term Debt	\$ 302,690	
		\$ 302,690

Entry eliminates the interest income on the RDF notes receivable which is assumed to be transferred to Primergy Corporation. (See Entry # 3 above.) For simplicity, the interest rates on the note receivable are assumed to approximate those on NSP MN long-term debt (eliminated in Entry #3), so there is no effect on net income.

<u>Entry # 5 - Wisconsin Notes Receivable</u>		
Short-term Debt		
Notes Receivable	\$ 26,300,000	
		\$ 26,300,000

The notes receivable from NSP Wisconsin is assumed to be financed through Primergy Corporation, the parent company after the merger (or, possibly, Wisconsin Energy). Currently, they are financed through NSP MN short-term debt borrowings. The elimination of the notes receivable will therefore be assumed to result in a corresponding reduction in short-term debt.

<u>Entry # 6 - Interest Income Wis. Note</u>		
Interest Income		
Interest Expense - Short-term Debt	\$ 717,172	
		\$ 717,172

Entry eliminates the interest income on the Wisconsin notes receivable which are assumed to be transferred to Primergy Corporation or Wisconsin Energy (See Entry # 5 above). Interest expense on the short-term debt of NSP MN used to finance NSP Wisconsin borrowings is also eliminated. Since the interest rates on the Wisconsin notes receivable are based on NSP MN short-term debt, there is no effect on net income from the eliminations.

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of a Request by
Northern States Power Company
Petition For Approval of Merger With
Wisconsin Energy Corporation

Docket No. E,G002/PA-95-500

SUMMARY OF FILING

On August 4, 1995, Northern States Power Company ("NSP") filed with the Minnesota Public Utilities Commission a petition for authorization to complete a merger transaction with Wisconsin Energy Corporation and related requests. As part of the merger petition, NSP is seeking Commission approval of a 1.5 percent electric retail rate reduction January 1, 1997, followed by a four-year rate moratorium, with certain exceptions, deferral and amortization of merger-related expenses, and acquisition by NSP of certain gas distribution service assets located in the State of Wisconsin from NSP's wholly-owned subsidiary NSP-Wisconsin. All necessary approvals required under Minn. Stat. Chapter 216B are requested as soon as is reasonably possible consistent with the Commission's duties and responsibilities.

Northern States Power Company

500 West Russell
PO Box 988
Sioux Falls, SD 57101-0988
Telephone (605) 339-8200

Michael J. Hanson
General Manager and Chief Executive

DOCKET EL 95-021
NUMBER

August 4, 1995

RECEIVED

AUG 11 1995

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

William Bullard, Jr., Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, South Dakota 57501

2000 Received 8/4/95

Re: Proposed Merger Between Northern States Power Company and Wisconsin Energy Corporation

Dear Mr. Bullard:

On May 1, 1995 Northern States Power Company and Wisconsin Energy Corporation announced a proposed merger of the two organizations into a registered public utility holding company to be named Primergy Corporation. On July 10, 1995, NSP and WEC filed a joint application with the Federal Energy Regulatory Commission under section 203 of the Federal Power Act seeking federal approval of the merger, a copy of which was provided to the Commission. Also filed for approval by the FERC were a single system open-access transmission tariff for point-to-point and network services and an amendment extending the existing Interchange Agreement between NSP and NSP(Wisconsin) to include WEC electric utility operations. NSP has previously assured the Commission of its intent to keep the Commission fully informed on its progress toward consummating the merger transaction and providing relevant information to the Commission upon request.

Today filings are being made with state regulatory commissions in the jurisdictions where NSP and WEC provide utility services seeking necessary state approvals to the proposed merger transaction. Because the acquisition of all necessary regulatory approvals is a precondition to closing the merger transaction, it is essential that NSP secure all necessary SDPUC approvals related to the proposed merger. NSP's review of South Dakota law led us to the conclusion that Commission approval of the proposed merger is not required. If that conclusion is not correct NSP needs to know at an early point in time so that steps can be taken to secure approval.

For that reason, by this filing NSP seeks from the Commission clarification or confirmation from the Commission that approval of the merger is not required under South Dakota law, and an order disclaiming jurisdiction.

Discussion of Jurisdiction

As set forth in the merger agreement and discussed in the FERC filing, NSP will be merged into a new Wisconsin corporation recently formed for the purpose of allowing NSP to be reincorporated in Wisconsin. As a second step, the new NSP corporation will be merged with a new subsidiary of WEC set up for the purpose of allowing NSP to become a WEC subsidiary. Gas distribution properties located in the cities of Hudson and LaCrosse, Wisconsin, will be transferred from NSP (Wisconsin) to NSP so that NSP will qualify as a public utility under Wisconsin regulatory law. As a last step, WEC will be renamed Primergy Corporation. The net result is that NSP will become a Wisconsin corporation and a wholly-owned subsidiary of Primergy Corporation. NSP will continue to operate its utility businesses in South Dakota, North Dakota and Minnesota, and will continue under SDCL chapter 49-34A to be subject to the jurisdiction of the Commission.

SDCL sections 49-34A-35 through 49-34A-37 require Commission approval for mergers of electric utilities which operate in South Dakota. Section 49-34A-38 states, however, that sections 35 through 37 do not apply to a transaction which is subject to the jurisdiction of a federal agency or authority. The proposed merger requires FERC approval under the Federal Power Act. Also, because it involved the registration of a holding company, approval of the Securities and Exchange Commission is required under the Public Utilities Holding Company Act of 1935. Because these federal agencies have jurisdiction over the proposed merger, the statutes explicitly provide that separate Commission approval is not required. The Commission, of course, may intervene and participate in the federal proceedings if it so desires.

SDCL section 49-34A-38.1 required Commission approval before a person acquires more than 10% of the capital stock of certain utilities. The proposed merger results in Primergy acquiring 100% of NSP capital stock. However, section 38.1 only applies to utilities organized under South Dakota law or receiving more than 25% of their gross revenue from South Dakota operations. Because significantly less than 25% of NSP's revenues come from South Dakota, and because NSP is not organized under South Dakota law, this section does not apply to the proposed merger.

NSP is not aware of any other laws which would give jurisdiction to the Commission to approve or disapprove the proposed merger.

NSP has previously stated that it anticipates sufficient cost savings as a result of the merger, that it will offer a retail electric rate reduction in all jurisdictions of about 1.5% to take effect near the time the merger is completed, coupled with a commitment not to increase rates until after the year 2000. In other states the rate reduction and rate freeze are part of the requests for merger approval. NSP anticipates making a similar rate reduction proposal in South Dakota to reflect merger-related cost savings through a separate filing with the Commission prior to the consummation of the merger.

Requested Action

So that NSP can be confident that all preconditions to the closing of the merger have been satisfied, we request that as soon as reasonably possible the Commission, by order, disclaim jurisdiction over the proposed merger and confirm that Commission approval is not required.

Please address correspondence related to this request to:

Michael J. Hanson
General Manager and Chief Executive
NSP South Dakota
500 West Russell

Sioux Falls, South Dakota 57104

David A. Lawrence
Assistant General Counsel
Audrey Zibelman
Senior Attorney
Northern States Power Company
414 Nicollet Mall

Minneapolis, Mn 55401

Thank you for your consideration of this matter.

Sincerely,



Michael J. Hanson
General Manager and Chief Executive