WPS RESOURCES CORPORATION

1994 ANNUAL REPORT

MEETING THE
COMPETITIVE CHALLENGE

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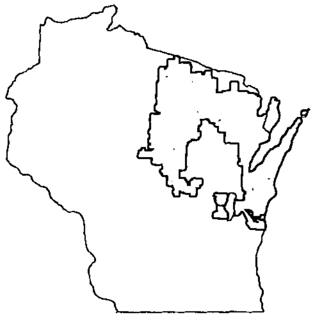
MEETING THE COMPETITIVE CHALLENGE

THE COMPANY

WPS Resources Corporation is a Green Bay, Wisconsin based holding company. Wisconsin Public Service Corporation, its principal subsidiary, is an electric and gas utility that serves 353,893 electric and 196,666 gas customers in an 11,000 square mile area of Northeastern Wisconsin and an adjacent portion of Upper Michigan, as depicted on the accompanying map. WPS Energy Services, Inc. is a non-regulated subsidiary that has been organized to market energy and related services.



THE THEME

The people in the WPS Resources Corporation system are transforming their businesses to assure future success in the new competitive marketplace. This report presents a picture of how energy markets are undergoing revolutionary change as the result of recent legislation, changing regulation and customer needs. Much like the kayaker pictured on the cover, our employees see themselves riding the turbulence, prepared and eager for the next challenge. We are mindful of the obstacles in our path, but are focused on the course we must steer to be successful and to meet the competitive challenge. Our vision is that of people creating the world's premier energy company. Our mission is to provide customers with the best value in energy and related services.

THE CONTENTS

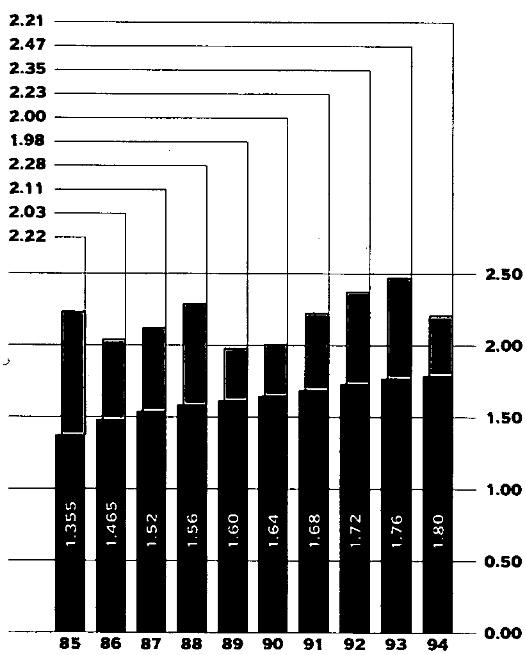
IN REMEMBRANCE

THIS REPORT IS DEDICATED TO THE MEMORY OF PAUL D. ZIEMER WHO DIED JANUARY 27, 1995. PAUL RETIRED FROM WISCONSIN PUBLIC SERVICE CORPORATION IN 1987. HE SERVED AS A DIRECTOR, CHAIRMAN OF THE BOARD AND PRESIDENT AND CHIEF EXECUTIVE OFFICER DURING HIS FORTY-YEAR CAREER. HE ALSO SERVED ONE TERM AS CHAIRMAN OF THE EDISON ELECTRIC INSTITUTE, THE INDUSTRY TRADE ASSOCIATION. HE, AND EVERYONE WHO KNEW HIM, MUTUALLY VIEWED EACH OTHER AS TRUE FRIENDS. HE WILL BE MISSED BY HIS CHURCH, FAMILY, BUSINESS ASSOCIATES AND THE COMMUNITY WHOM HE SERVED SO FAITHFULLY.

FINANCIAL HIGHLIGHTS

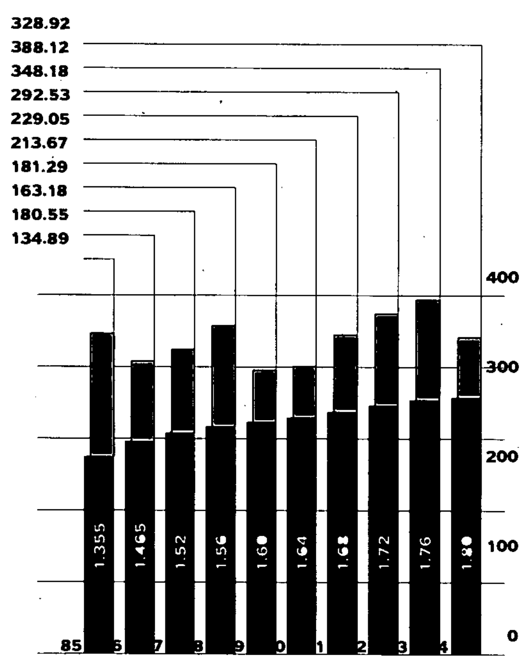
Year Ended December 31	***1994***	*1993*
Revenues *(Thousands)*	**$673,795**	$680,632
Net income *(Thousands)*	**52,691**	58,889
Earnings per average share of common stock	**$2.21**	$2.47
Dividends paid per share	**1.80**	1.76
Book value per share	**18.69**	18.18
Common stock price at year-end	**$26¾**	$33⅜
Electric customers	**353,893**	346,950
Electric sales *(Kwh - Thousands)*	**10,552,017**	10,150,913
Gas customers	**196,695**	190,109
Gas deliveries *(Therms - Thousands)*	**632,972**	568,515

EARNINGS & DIVIDENDS PER SHARE
1985-1994
Dollars



■ Earnings
■ Dividends

CUMULATIVE TOTAL RETURN*
1985-1994
Dollars



*Assumes $100 investment in common stock at year-end 1984 and all dividends reinvested quarterly. Cumulative total return for the ten-year period is equivalent to an average annual return of 12.6%.

I am pleased to present WPS Resources Corporation's ("WPSR" or the "Company") first shareholders' report. The cover portrays the spirit of our new holding company. We see WPSR as the maneuverable kayak in the picture. It's powerfully propelled through the turbulent white water by a kayaker who, like our employees, has the confidence and know-how to use the boiling forces of the water to advantage. He's aware of the obstacles ahead of him, but stays focused on his goal. We, likewise, are focused on our vision to be "people creating the world's premier energy company."

WPSR was formed to give us the flexibility to expand our business by developing energy-related non-regulated opportunities emerging from a rapidly changing industry. This flexibility, along with our continuing enhancement of our mainstay electric and natural gas utility business, will move us toward the realization of our vision.

At our primary subsidiary, Wisconsin Public Service Corporation ("WPSC"), demand for energy services, particularly from the paper, food processing and foundry industries, was strong. Financial and operating highlights follow:

- Earnings per average common share for WPSR were $2.21 compared to $2.47 in 1993. The primary reason for the decrease was the Public Service Commission of Wisconsin's ("PSCW") lowering WPSC's authorized rate of return from 12.3% in 1993 to 11.3% in 1994, thereby reducing earnings by approximately sixteen cents per share. The other major contributing factor was a 17% warmer-than-normal fourth quarter.

- Dividends paid per share increased for the 36th consecutive year.

- Customer electric rates decreased 4.5% and natural gas rates increased .6%.

- Electric sales volume increased 4.0% over 1993.

- Gas deliveries increased 3.0% over 1993.

The PSCW has initiated a proceeding to determine the future structure of the utility industry in Wisconsin. While we can't fully predict the outcome of the proceeding, we certainly can predict that low-cost energy producers, like WPSC, will have the most to gain from the new marketplace.

Our advantage lies with our employees. For several years, they have been designing and redesigning our products, services and processes. Our improvement efforts, based on Dr. Deming's theory of management, are helping us achieve our mission of "providing the best value in energy and related services." That means our customers are getting better quality at a lower cost. A key to all of this is that we listen to customers, believe what we hear and provide them with the choices they need.

The size of the WPSC work force is decreasing. We are different in that we are not making drastic reductions with the hope of short-term cost savings. Instead, we are developing the kind of internal structure and flexibility that allows us to redeploy easily and apply our knowledge and skills to work that helps us grow our business. We need our people to expand the business and to address all the challenges related to our changing industry. This approach is part of our transformational plan which emphasizes actions today that will have long-term benefits for all of us. It also emphasizes the creation of a work environment where employees, who now own more than 11% of our common stock, can freely contribute to their fullest potential.

This report captures many of the strengths which enable us to maneuver successfully through the ever-changing and exhilarating river of competition:

- The PSCW concluded a competitive bidding process by approving our plan to build the Rhinelander Energy Center, a 122-megawatt, $169 million, cogeneration facility. The plant, which is expected to begin operating early in 1998, will produce steam and electricity for sale to Rhinelander Paper Company, as well as electricity for sale to other customers. Construction will commence upon receiving certification from the PSCW that the plant will satisfy a public need.

• We activated our centralized customer communications center. With the aid of advanced technology, employees in the center are providing better customer service at a lower cost.

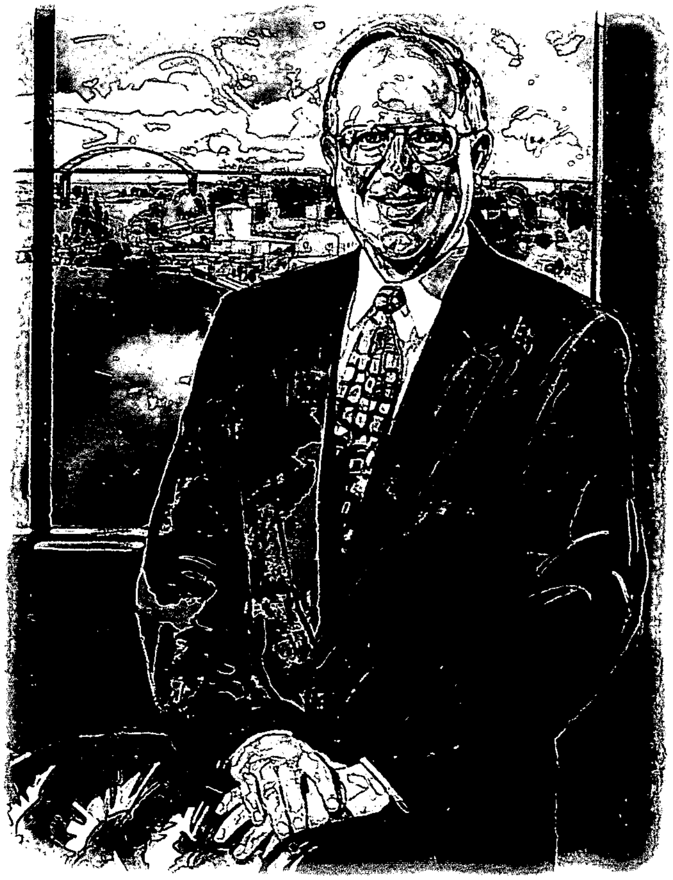
• The addition of approximately 350 miles of new gas main set a record for growth in a single year.

• Employees in our System Operating Department designed and built an award-winning energy management system. This allowed us to forgo spending many millions of additional dollars on a purchased system with fewer capabilities.

• The Kewaunee Nuclear Power Plant ("Kewaunee") celebrated its twentieth year of operation with receipt of its fifth Award of Excellence from the Institute of Nuclear Power Operations. This attests to the plant's excellent operating and safety record. In addition, the plant's operating costs have decreased approximately 25% during the last three years. We operate Kewaunee and jointly own it with two other utilities.

• The International Union of Operating Engineers, which represents 1,070 employees, agreed to a new three-year contract. The contract greatly increases our overall flexibility regarding most traditional union/non-union job boundaries. This flexibility allows everyone to focus their energy on providing better products and services to our customers. The contract with the union reaffirms the cooperative working relationship that exists within WPSC.

• We continued to develop our non-regulated subsidiary, WPS Energy Services, Inc. ("WPSE"), that has been organized to market energy and related services. WPSE had no material impact on earnings in its first year of operations. We also are taking steps to establish a power development business unit.



The accomplishments discussed here, and throughout this report, emphasize the very important point that we are different in many ways. Most significantly, we are different because we are a group of people invigorated by the kind of adrenaline that fills a kayaker in the midst of a roaring rapids. And like a competent kayaker, we are using our confidence and know-how to convert the powerful dynamics of our environment into positive forces that propel us into the future. As you read through this report, I believe you'll agree.

Thank you for your continued support.

Daniel A. Bollom

DANIEL A. BOLLOM
President and Chief Executive Officer

February 28, 1995

COMPETITION IS HERE

In recent years, there have been major changes in regulation of the airline, railroad, banking, trucking, telecommunications and natural gas industries. Now a combination of new legislation, changing regulation and market forces is bringing revolutionary change to the electric utility industry.

The Energy Policy Act of 1992 mandated open transmission access. As a result, an electric utility company, such as WPSC, must transport the power of others for a fee. This gives utilities and their wholesale customers the ability to purchase power from the cheapest sources and have it transported ("wheeled") over the transmission systems of one or more other utility companies. The result is the unleashing of market forces as municipal and other utilities shop for the lowest-cost power. Although legislation is necessary at the state level before retail customers can purchase power from parties other than their local utility, it is only a matter of time before industrial, commercial and residential customers will seek such arrangements. Competition is here, and more may be on the way.

REGULATORY DEVELOPMENTS

Nationally, the Federal Energy Regulatory Commission ("FERC") continues to promote broad electric transmission access. With a tariff already in place that provides others with transmission access, WPSC recently filed a network transmission service agreement which allows others to use its transmission system much the same way it uses the system.

Regionally, the member companies of the Mid-America Interconnected Network, of which WPSC is a member, are forming a Regional Transmission Group that will open up the entire transmission grid within the network to member companies and others who choose to participate. It will be easier than ever to transport electric power from one purchaser to another.

On the state level, the PSCW has initiated a proceeding to consider new approaches to electric utility regulation. Matters to be addressed include:

- Whether the generation, transmission and distribution functions will be allowed to exist together in the same company.

- Whether there will be a new regional market where utilities and others can purchase electricity.

- Whether retail wheeling should be sanctioned so that customers can seek out the lowest-cost power and have it delivered for their use.

- Whether utilities should have an obligation to serve customers who have the ability to choose between alternate electric power suppliers. Today, utilities must serve all customers.

- Whether utilities will be allowed to sell certain services separately which today are sold only as part of a group of services. For example, whether customers will have an option to purchase electric capacity and energy either separately or together as a package.

- Whether utilities will be given the ability to price services based on market factors rather than having prices set by a regulator.

- Whether a regulator-sponsored long-range generation and transmission planning process will be needed in the new competitive environment.

- How to treat stranded investment in utility plant and regulatory assets. Stranded investment is unrecovered investment in facilities that are no longer economical to operate. Regulatory assets are dollars carried on the balance sheet awaiting recovery from customers.

- The impact of all of these changes on investors and various groups of customers.

OUR PLAN

While the trend towards increased competition is clear, the reactions of electric utility companies are varied. Many companies, fearing the loss of utility revenues, have diversified into new businesses far afield from their traditional utility business.

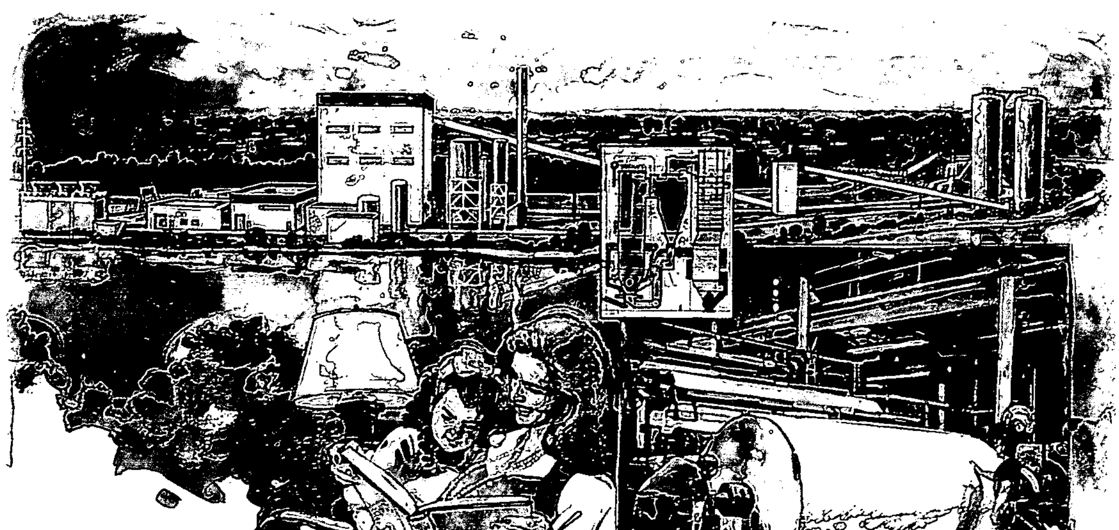
WPSR, on the other hand, intends to remain focused on the energy business. Capitalizing on the changing markets and building on core competencies, WPSR intends to be a world-class energy company in both the regulated and the new non-regulated sectors of the industry. Our mission is to provide customers, both small and large, with the "best value in energy and related services."

WPSR, a new holding company, was formed to provide the flexibility needed to respond to rapidly-changing industry conditions. WPSC, a regulated electric and gas utility, remains our principal business. A new non-regulated subsidiary, WPSE, has been organized to market energy and related services. Packerland Energy Services, Inc., which has been providing non-regulated natural gas related services, has been merged into WPSE in an effort to consolidate energy-marketing activities. We also are taking steps to establish a power development business unit.

The past year also saw organization changes which are intended to better position WPSC in the new competitive arena. Executive duties were realigned, a new marketing and sales organization was formed to focus on customer needs and new products and services, a new customer service organization was formed along process lines with the goal of bringing employees closer to customers, and the information technology services and nuclear engineering groups were reorganized.

THE STATE OF THE COMPANY

WPSR's earnings per average common share were $2.21 in 1994 compared to $2.47 in 1993. The decrease was due, primarily, to the WPSC authorized rate of return being lowered by the PSCW to 11.3% for 1994 compared to 12.3% for 1993, thereby reducing earnings by approximately sixteen cents per share. The other major contributing factor was a fourth quarter which was 17% warmer than normal which reduced gas revenues. WPSE had no material impact on earnings in its first year of operations. The year 1994 marked the 36th consecutive year in which dividends paid per common share increased. The payout ratio for 1994 was 81.4% compared to our target of 70%. Pretax interest coverage was 4.2 times interest expense for the year



A HIGHLIGHT OF 1994 WAS THE RECEIPT OF A PUBLIC SERVICE COMMISSION OF WISCONSIN ORDER AUTHORIZING OUR PROCEEDING WITH STEPS LEADING TO CONSTRUCTION OF THE RHINELANDER ENERGY CENTER SHOWN HERE. THE 122-MEGAWATT CO-GENERATION FACILITY WILL PRODUCE STEAM AND ELECTRICITY FOR SALE TO THE RHINELANDER PAPER COMPANY AND ADDITIONAL ELECTRICITY FOR OTHER UTILITY CUSTOMERS. THE PLANT'S BOILER, DEPICTED IN THE DRAWING, IS DESIGNED TO BURN LOW-SULFUR COAL, WOOD, PAPER MILL FIBER WASTE AND SLUDGE.

ended December 31, 1994. Electric sales and gas deliveries increased 4.0% and 3.0%, respectively, when compared to 1993. The rating agencies, after giving consideration to the competitive environment facing the electric utility industry, continue to recognize WPSC's financial strength by rating its bonds AA+ by Standard and Poor's, Aa2 by Moody's and AA+ by Duff & Phelps.

During 1994, WPSC added its 400,000th customer. At the close of 1994, it served 353,893 and 196,666 electric and gas customers, respectively, in an 11,000 square mile area of Northeastern Wisconsin and an adjacent part of Upper Michigan. It also provided wholesale electric service, either directly or indirectly, to eleven municipal utilities, two Rural Electrification Administration customers and one privately-held utility. Peak electrical demand and electrical energy delivered are expected to grow at 1.7% and 1.6% per year, respectively. Generation mix in 1994 was: fossil 62.6%, nuclear 14.5%, hydro 2.6%, natural gas and fuel oil .7% and purchased power in the form of short-term energy purchases 19.6%.

Wisconsin, our primary jurisdiction, has a progressive utility regulatory climate. Customer rates are set based on forecasted expenses and capital costs. Late in 1994, the PSCW, in its most recent rate order, decreased overall electric rates by approximately 2.6% while gas rates remained unchanged. An 11.5% return on equity and a capital structure of 54% common equity were authorized for 1995 and 1996. WPSC's electric rates are among the lowest in Wisconsin, competitive in the region and rank in the lower 25% in the nation. WPSC projects that electric rates between now and the year 2000 will increase at a rate significantly lower than inflation. Distribution costs for natural gas will also increase at less than the rate of inflation over the same period.

WPSC supports demand-side management efforts which allow customers to use electric and gas energy more wisely. The present program is financed by all customers. A new program, which will be phased in over a period of time, provides that only those who benefit from energy-saving programs will finance them. We strongly favor this new approach.

WPSC has the only electric distribution system in Wisconsin, and one of the few in the nation, that is predominantly upgraded to 24.9 kv. This provides for high quality service, reduced system losses and puts the utility in a good position to service new customers. The natural gas distribution system is predominantly wrapped steel and plastic, making for high reliability and low maintenance.

As competition increases in the electric business, there is a concern that companies will find themselves with stranded investment. WPSC's stranded investment exposure is lower than many other electric utility companies because its plants operate efficiently, it has low investment per unit of output compared to other utility companies, and depreciation lives have been relatively short, thereby providing timely capital recovery. Kewaunee is a good example of where a conservative capital recovery policy has worked to our advantage. WPSC's investment in the plant, reduced by the accumulated depreciation, only amounts to $57.6 million.

CULTURE AND EMPLOYEES

Following the management principles of Dr. Deming, the people at WPSR are committed to quality in all aspects of the business. The leaders at WPSR are creating a work place where employees can share responsibility for the future success of the business by participating in all aspects of the process. An atmosphere is being created that will allow intrinsically-motivated employees to apply their knowledge and skills in team efforts to improve the way they work and, thereby, contribute to the effective and efficient attainment of our corporate vision and mission. All of these efforts are undertaken with long-term success in mind. We value human dignity, personal commitment, continuous learning, trust, leadership, hard work and employees

CUSTOMERS WANT A RELIABLE ENERGY SUPPLY AND EXCELLENT SERVICE AT A FAIR PRICE. THE NEW CUSTOMER COMMUNICATIONS CENTER IN GREEN BAY IS DESIGNED WITH THESE NEEDS IN MIND. CENTER EMPLOYEES, USING THE LATEST TELEPHONE AND COMPUTER TECHNOLOGY, WILL PROVIDE FRIENDLY, PROMPT AND ACCURATE INFORMATION REGARDING METER READING, BILLING AND CREDIT QUESTIONS, APPLICATIONS FOR SERVICE, MARKETING PROGRAMS AND EMERGENCY MATTERS SUCH AS STORM CALLS.

who act with dispatch. The creative ideas of employees are the real source of power at WPSR. Together, the employees are transforming WPSR into an organization which truly is meeting the competitive challenge.

There are many ways employees are applying quality principles to daily operations. In one example, after acquiring a working knowledge of control charts, the operators at the Weston Generating Plant have new insights into how their actions can improve plant operations. As a result, Weston is operating more efficiently, and the employees have the satisfaction of a job well done.

Labor relations are excellent. WPSC and the union have a common goal, a world-class company. Agreement was reached with Local 310 of the International Union of Operating Engineers, which represents 1,070 employees, on a new three-year contract. The agreement provides for work force flexibility in that, for the duration of the contract, union employees can perform traditional union work across craft lines, perform non-union work and do work traditionally done by contractors. Also, non-union employees can perform some union work.

THE RHINELANDER ENERGY CENTER

The PSCW has approved our plan to build the Rhinelander Energy Center ("REC") to meet WPSC's expanding generating capacity and energy needs. This comes following a competitive bidding process in which thirteen proposals were received. The REC will be a state-of-the-art, coal-fired, 122-megawatt cogeneration facility which will produce steam and electricity for sale to the Rhinelander Paper Company and electricity for sale to other utility customers. The plant will cost $169 million. Before construction can commence, the PSCW must certify that the REC satisfies a public need. The REC is expected to be placed in service in 1998.

The REC will burn low-sulfur western coal and paper mill fiber waste and sludge, and will be capable of burning wood. The REC will include a fluidized bed boiler which uses limestone to trap sulfur before it escapes to the atmosphere. Sulfur dioxide and nitrogen oxide emissions and ash particulates released to the atmosphere will be substantially lower than current levels which already meet air quality standards.

The REC will be owned by subsidiaries of WPSC which will lease the electric production facilities to the utility. This arrangement will reduce the overall cost of the facility.

The PSCW's selection of the REC project is an indication that we can prosper in the new competitive environment. Now our challenge is to complete the approval process and construct the plant on schedule and on budget.

CUSTOMER SERVICE

Customers are looking for a reliable energy supply and excellent customer service at a fair price. That is a simple statement, but making it happen is a big job.

In an effort to improve customer service, most customer-related activities have been gathered together in a new service group which is organized in a manner that is logical from a customer point of view. The new centralized customer communications center in Green Bay is a result of this effort. The center is intended to handle a wide variety of customer telephone calls including applications for service, billing and credit questions, information regarding marketing programs and emergency calls.

The goal is to serve more customers with better service at reduced costs. This can be accomplished for a number of reasons:

- Customers get their questions answered by the person who answers the telephone.
- Communications center employees are specialists who approach customer inquiries using best practices.
- These best practices are acquired through an extensive training program.
- Employees have at their command the latest telephone and computer technology.
- Center employees have answers at their finger tips with the use of an innovative menu-driven computerized help system.

Initial experience with the communications center concept has been good. When the center is in full operation in the summer of 1995, it will be capable of handling more than 700,000 calls annually.

THE KEWAUNEE STORY

The year 1994 saw the celebration of the twentieth year of operation of Kewaunee, during which time it produced approximately 80 billion kilowatt-hours of electricity.

Kewaunee's unit capability factor was 86.6% in 1994, compared to a projected industry average of 73.7%. The plant has experienced few forced outages. These are indicators that the plant is well maintained and operates reliably. Kewaunee is also known for generating very small volumes of low-level radioactive waste and for maintaining low radiation exposure levels.

We do not anticipate problems with radioactive waste storage at Kewaunee. Changes are being made or planned which will provide for in-plant storage of high-level waste until the expiration of the current operating license in 2013.

Kewaunee operating costs peaked in 1991, and since then, have decreased approximately 25% as a result of numerous process improvements. Recently, it was decided to move from a twelve-month to an eighteen-month cycle for refueling and major maintenance projects. This change alone should reduce costs by more than $50 million over the remaining life of the operating license.

During the third quarter of 1994, the Kewaunee staff earned the Institute of Nuclear Power Operations' ("INPO") Award of Excellence for the fifth time. INPO is an industry group that promotes excellence in all aspects of nuclear plant operations. Not only are we proud of the accomplishments of Kewaunee employees, but winning the Award means a reduction in insurance premiums for 1995 of at least $333,000.

The steam generator tubes at Kewaunee, like those at many other nuclear plants throughout the country, are corroding. When corroded tubes are found, they are either repaired or taken out of service. Although the steam generators will not be replaced at this time, Kewaunee will be able to operate until the operating license expires, with a slow reduction in capacity over time.

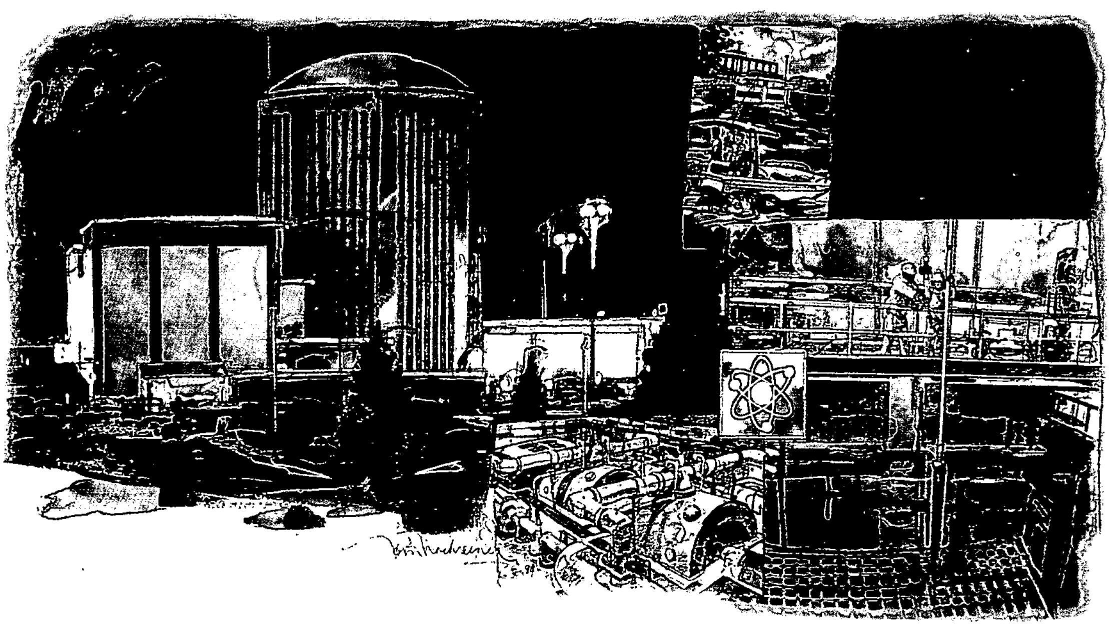
DEVELOPMENTS IN THE NATURAL GAS BUSINESS

Deregulation has come to the natural gas supply business. FERC Order 636, which became effective November 1, 1993, separated pipeline transportation and gas supply services. As a result, many large business customers are more actively involved in buying natural gas and related transportation services. This has created a market for our non-regulated subsidiary, WPSE, which is marketing gas, selling transportation services and selling energy management services to regional businesses that are encountering the complexities of the new natural gas marketplace.

WPSC is undertaking an aggressive expansion of its natural gas distribution business. Not only are there increased efforts to obtain new customers in the existing gas service territories, but the utility is acquiring new natural gas distribution franchises. As part of this effort, approximately 350 miles of new gas main were added in 1994 and more than 400 additional miles are planned for 1995. This expansion could increase the number of customers served with natural gas by more than 7%. At December 31, 1994, five applications for new franchises were pending before the PSCW.

INNOVATIVE SOLUTIONS

Late in 1993, WPSC was the recipient of the Utility Leadership Award for Information Technology presented by Public Utilities Fortnightly magazine and Digital Equipment Corporation. The award recognized the innovative use of technology in the utility industry. In 1987, options to upgrade the existing Energy Management System ("EMS") were evaluated. The EMS is a computer system used by the System Operating Department to monitor and control electric



THE KEWAUNEE NUCLEAR POWER PLANT, ON THE SHORE OF LAKE MICHIGAN, HAS COMPLETED ITS TWENTIETH YEAR OF OUTSTANDING OPERATION. PLANT EMFLOYEES HAVE EARNED THE INSTITUTE OF NUCLEAR POWER OPERATIONS' AWARD OF EXCELLENCE FOR THE PIFTH TIME, CONFIRMING THAT THE FLANT IS WELL MAINTAINED AND OPERATED SAFELY AND RELIABLY. FISHERMEN ENJOY GOOD CATCHES NEARBY, ILLUSTRATING THE FACT THAT THE PLANT IS OPERATED IN AN ENVIRONMENTALLY RESPONSIBLE MANNER.

and gas systems to assure that they are operating in a safe, reliable and economical manner. Rather than purchasing a commercially available system, which would have cost between $8 and $15 million, depending on the system selected, the decision was made to have the System Operating Technical Support Group within the System Operating Department develop an in-house solution using off-the-shelf personal computer hardware. The new system, which was placed in operation in 1992, is known as Distributed Energy Management Architecture with eXtensive eXpandability ("DEMAXX"). DEMAXX was the first large energy management system to be developed and implemented using personal computer hardware and related technology. The system, which was developed without the services of outside vendors or consultants, cost less than $1 million. With the DEMAXX approach, a multimillion-dollar system replacement has been avoided, WPSC has a system which can accommodate almost unlimited future growth, and it was done with our own innovative ideas.

THE ENVIRONMENT AND RENEWABLE ENERGY

Environmental stewardship continues to be part of our challenge. Increased competition does not mean decreased environmental vigilance. Because Wisconsin has progressive clean-air regulation, WPSC's electric generating facilities are in compliance with the sulfur dioxide emission standard of 1.2 pounds-per-million BTUs mandated by Federal law to be effective in the year 2000. The actual sulfur dioxide emission rate for 1994 was .85 pounds-per-million BTUs. Compliance was achieved by switching to low-sulfur coal. WPSC is also installing low-nitrogen burners on two electric generating units in order to meet nitrogen oxide emission standards.

WPSC is a leader in ash recycling. Last year over 97% of the fly and bottom ash produced by burning coal in its electric generating plant boilers was sold or recycled. The national average is about 25%. The result is less reliance on landfills for the disposal of these by-products. We estimate that ash recycling saves our customers approximately $4.5 million per year.

WPSC manages 20,000 acres of forest lands, about three-quarters of which are associated with hydroelectric plants. These lands provide some of the finest recreation areas in Wisconsin. Management includes maintenance of wildlife habitat and protection of endangered species such as the eastern timber wolf. This large forest area improves air quality by capturing carbon dioxide emitted by industrial plants and using it in the forests' growth cycle. This is consistent with the goals of President Clinton's Global Climate Challenge Collaborative Effort to reduce greenhouse gases, of which WPSC was a charter member.

Investigations are ongoing to identify contamination and related cleanup costs with respect to eight manufactured gas plant sites previously operated by WPSC. Based on these preliminary investigations, the range of cleanup costs is estimated to be from $14.8 to $29.3 million. These estimates could change significantly as more information becomes available. Remediation expenditures will be made over the next thirty-four years. Based on a current rate order, management believes that these costs will be recoverable in future utility rates, exclusive of carrying costs.

With the increasing concern for the environment, renewable energy is gaining more attention as an alternative to burning fossil fuels. WPSC owns and operates fifteen hydroelectric plants, and owns a one-third interest in two other plants representing a total of seventy megawatts of electric capacity.

In conjunction with several other utilities, WPSC will build two wind turbines on a site near Green Bay. Data from the operation of these machines will enable Wisconsin utilities to better evaluate the feasibility of committing more resources to the development of wind energy.

During the year 1994, WPSC and the University of Wisconsin - Green Bay established a solar research station on the university's campus. Researchers are focusing on the measurement of available solar energy, the performance of various photovoltaic arrays in generating electricity and related economics. Photovoltaic arrays capture energy from the sun and convert it to electrical energy. The energy will be used to charge experimental storage batteries. The data gathered from this project, which is being shared with the United States Department of Energy, will be used to improve the technology and evaluate the use of solar energy in the upper midwest.

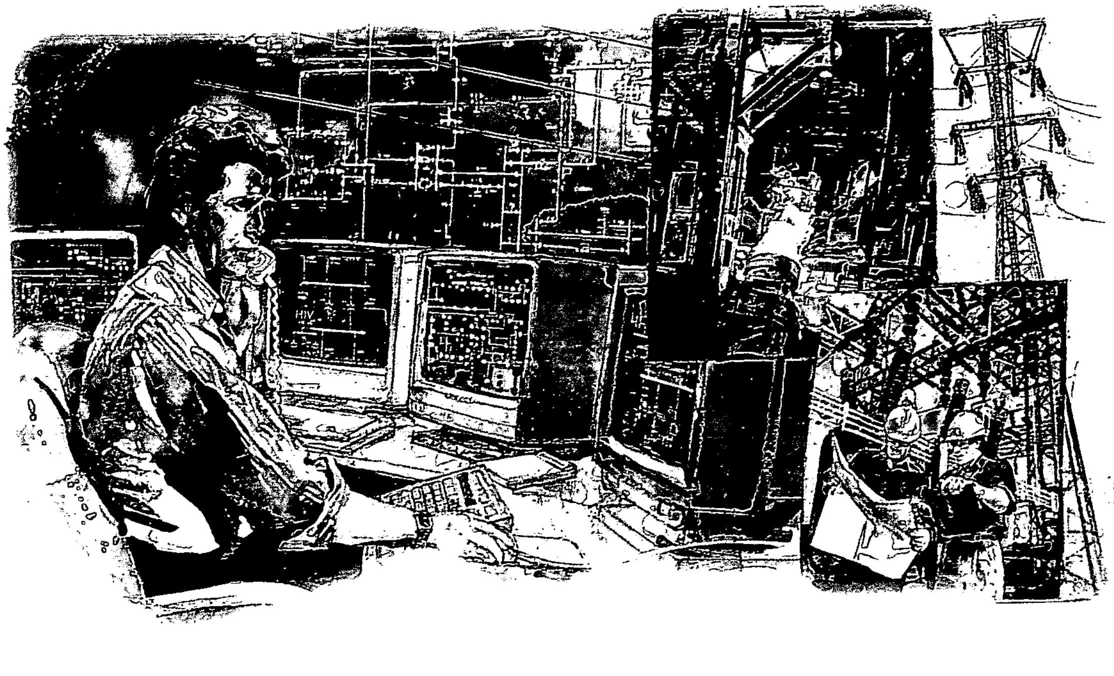
Kewaunee employees are contributing to our environmental efforts. They have undertaken a prairie and wetlands restoration project, made improvements to an educational forest, created a new public park near the plant and improved facilities for fishermen.

Our Lyle Kingston Conservation Club, consisting of employees volunteering their time on environmental improvement and conservation projects, has undertaken several restoration, cleanup and habitat improvement projects.

SHAREHOLDER VALUE

In 1994, electric utility stocks were in their worst slump in nearly twenty years. WPSR's share price declined from a high of $33⅜ on January 3 to a low of $26¼ on November 23. The stock closed the year at $26¾. This decline can be attributed primarily to increased interest rates. The perception of increased risk in the utility industry, as a result of the new competitive environment, also is believed to have contributed to the decline. The impact of the change in share price is depicted on the graph of cumulative total return on page one of this report.

The people at WPSR recognize that success in the past does not assure success in the future. However, a past record of accomplishment, current financial strength and actions to take advantage of the new trends in the industry, place WPSR in a position of strength. Employees at WPSR are working smarter and harder than ever to transform the Company into a more efficient provider of energy and related services with a constant and consistent focus on improving customer service. That should mean increased sales, increased profitability and increased shareholder value.



EMPLOYEES IN WISCONSIN PUBLIC SERVICE'S SYSTEM OPERATING DEFARTMENT USE THEIR AWARD WINNING OEMAXX COMFUTER SYSTEM TO MONITOR AND CONTROL ELECTRIC AND GAS SYSTEMS TO ASSURE THEIR SAFE, RELIABLE AND ECONOMICAL OPERATION. ELECTRICITY MUST BE CONTROLLED AS IT MOVES FROM THE GENERATING PLANT OVER TRANSMISSION LINES TO SUBSTATIONS AND THROUGH THE DISTRIBUTION SYSTEM TO CUSTOMERS SUCH AS THE IRON FOUNDRY IN THE ILLUSTRATION.

FINANCIAL CONTENTS

RESULTS OF OPERATIONS

WPS Resources Corporation ("Company") is a holding company. Over 99% of the Company's assets and revenues are derived from Wisconsin Public Service Corporation ("WPSC"), an electric and gas utility.

Overview of 1994 Compared to 1993

Earnings per share declined from $2.47 in 1993 to $2.21 in 1994, or 10.5%. The most significant reason for this decrease was a Public Service Commission of Wisconsin ("PSCW") order decreasing the authorized return on common equity for WPSC from 12.3% to 11.3%, thereby reducing earnings approximately $.16 per share.

1994 Compared to 1993

Electric margins declined by $17.3 million, or 5.0%, due primarily to reduced electric rates.

ELECTRIC MARGINS *($000)*	*1994*	*1993*	*1992*
Revenues	**$480,816**	$493,256	$477,625
Fuel and purchases	**149,642**	144,754	153,460
Margin	**$331,174**	$348,502	$324,165
Sales *(Kwh 000)*	**10,552,017**	10,150,913	9,747,169

Electric operating revenues decreased $12.4 million, or 2.5%, primarily due to a 4.2% reduction in Wisconsin retail rates that took effect January 1, 1994. Electric revenues also were reduced .5% in May 1994 as a result of reduced fuel costs. These decreases were partially offset by a 4.0% increase in kilowatt-hour ("kwh") sales. Residential, commercial and industrial kwh sales increased 2.4% and 4.9%, respectively, due to a warmer summer and customer growth. Wholesale kwh sales increased 3.0%.

Electric fuels and purchases increased $4.9 million, or 3.4%, reflecting increased sales, offset in part by reduced production costs. Electric production fuels decreased $3.0 million, or 2.7%, even though generation was up 1.3%. This decrease in fuel costs per kwh of 5.4% primarily was the result of purchasing less expensive coal on the spot market. Purchased power costs were higher by $7.9 million, or 25.8%. This was the result of a 19.9% increase in kwh purchases, due to the severe cold weather in the first quarter of the year, which forced WPSC to purchase expensive spot market electricity, and the Soo Line railroad strike during the second half of the year which impacted WPSC's ability to operate its coal-fired units.

Gas margins increased by $1.9 million, or 3.6%, due to customer growth.

GAS MARGINS *($000)*	*1994*	*1993*	*1992*
Revenues	**$192,979**	$187,376	$157,177
Purchase costs	**137,014**	133,347	109,890
Margin	**$ 55,965**	$ 54,029	$ 47,287
Volume *(Therms 000)*	**632,972**	568,515	545,475

The PSCW allows WPSC to pass on to its customers, through a purchased gas adjustment clause, changes in the cost of gas.

Maintenance expense decreased $1.6 million, or 3.1%, due to lower maintenance activity at the Kewaunee Nuclear Power Plant ("Kewaunee") and to less electric transmission and distribution maintenance.

Depreciation and decommissioning expense decreased $4.2 million, or 7.0%. The primary cause was a rate order from the PSCW which took effect January 1, 1994 reducing the annual depreciation provision by an estimated $5.8 million. This was offset by higher decommissioning expense of approximately $1.1 million.

Federal and state income taxes decreased $3.0 million, or 9.4%, due to lower earnings.

1993 Compared to 1992

Electric operating revenues increased $15.6 million, or 3.3%. This increase was the result of a 4.2% increase in kwh sales and a 2.1% rate increase for WPSC's Wisconsin retail customers that was effective January 1, 1993. This was partially offset by rate reductions totaling $1.1 million in September and November 1993 for Wisconsin retail customers due to reduced fuel costs. Residential sales increased $8.9 million, or 5.7%, due primarily to warmer summer weather. Commercial and industrial sales rose $13.3 million, or 5.3%, reflecting customer growth and the impact of the warmer weather. Wholesale sales decreased $4.5 million, or 7.4%, due to an average rate reduction for this customer class of 6.7%.

Electric production fuel costs decreased $9.8 million, or 7.9%, even though electric generation was up 2.1%. This decrease primarily was the result of less expensive coal which was purchased on the spot market. Such purchases decreased overall coal-related costs per kwh by 11.8% and reduced coal costs by approximately $14.2 million between years.

Gas operating revenues increased $30.2 million, or 19.2%. This increase primarily is due to a 10.1% increase in the cost of gas ($12.2 million), reflecting spot market volatility, a 3.2% increase in heating-degree days ($12.5 million) and a 2.3% Wisconsin retail rate increase ($5.5 million) effective January 1, 1993. Residential gas revenues increased $17.3 million, and commercial and industrial gas revenues increased $14.6 million.

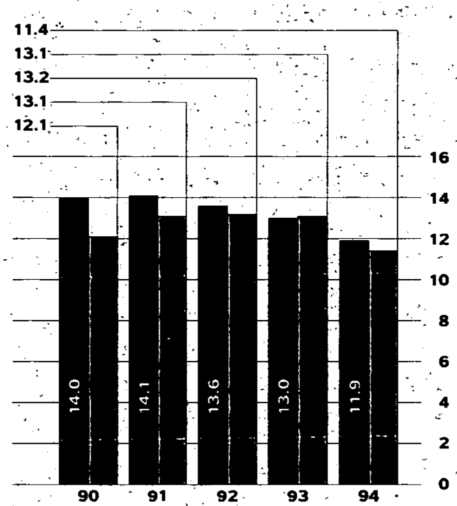
Gas purchased for resale increased $23.5 million, or 21.3%, due to higher gas volumes of 10.4% and to a 10.1% higher average cost of gas per therm.

Other operating expenses increased $12.7 million, or 9.3%, primarily due to increased amortization of 1991 coal and associated rail contract buy-out costs of $2.9 million and increased electric and gas conservation expenses of $9.7 million.

Maintenance expense increased $5.1 million, or 10.9%, primarily due to additional maintenance activities at WPSC's coal-fired power plants.

Federal and state income taxes increased $5.9 million, or 21.7%, due to higher pre-tax income and the effect of an increase in the federal income tax rate from 34% to 35%, as provided in the Revenue Reconciliation Act of 1993.

RETURN ON COMMON EQUITY
1990-1994
Percent



Authorized return in the Wisconsin jurisdiction of 12.9%, 13.1%, 12.8%, 12.3% and 11.3%, respectively, adjusted for allowed earnings on deferred investment tax credits.
Earned return based on common equity excluding ESOP.

BALANCE SHEET

1994 Compared to 1993

Accrued utility revenues decreased $8.5 million as a result of unseasonably warm weather experienced in December 1994.

Long-term liabilities increased $20.6 million primarily due to higher estimates for environmental remediation of $10.4 million and post-retirement health care costs of $7.0 million.

FINANCIAL CONDITION

WPSC requires large investments in capital assets used to deliver electric and gas services. Most of the Company's capital requirements relate to WPSC's construction expenditures. WPSC maintains good liquidity levels and a financial condition considered to be strong by analysts. Internally generated funds closely approximate the utility's cash requirements. No external funding difficulties are anticipated in the future. Pre-tax interest coverage was 4.2 times for the year ended December 31, 1994. WPSC's bond ratings are AA+ (Standard & Poor's), Aa2 (Moody's) and AA+ (Duff & Phelps).

WPSC is restricted by a PSCW order from paying dividends, without PSCW approval, of more than 109% of the previous year's common stock dividend. Also, Wisconsin law prohibits WPSC from making loans to the Company and its subsidiaries and from guaranteeing their obligations.

For the three-year period 1995 to 1997, internally-generated funds at WPSC are expected to lag behind construction expenditures, which total $235 million, by $38 million. WPSC currently expects to finance this shortfall in internally-generated funds with short-term debt. These expenditures are comprised of $148 million for electric construction, $20 million for nuclear fuel, $48 million for gas construction and $19 million for other construction expenditures. These construction costs exclude the Rhinelander Energy Center ("REC") which will be substantially funded with non-recourse project financing debt.

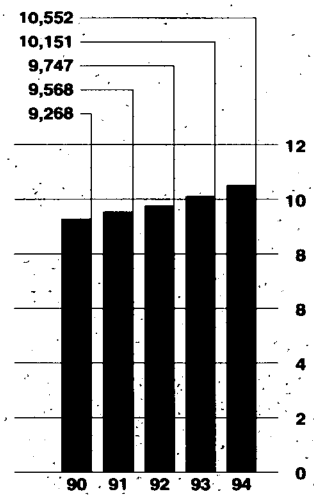
The PSCW has approved the REC as the preferred electric generating project to meet WPSC's expanding capacity and energy needs. This approval followed a competitive bidding process. The REC will be built and operated by non-regulated subsidiaries of WPSC. REC will be a coal-fired, 122-megawatt, $169 million cogeneration facility which will produce steam and electricity for sale to the Rhinelander Paper Company and electricity for sale to utility customers. Before construction commences, the PSCW must certify that the REC satisfies a public need. PSCW approval is expected in the second half of 1995. The plant is expected to be placed in service in 1998.

Kewaunee is currently licensed through the year 2013. Physical decommissioning is expected to occur during the period 2014 to 2021 with additional expenditures being incurred during the period 2022 to 2050. Decommissioning costs in current dollars are $147 million, and the undiscounted amount is $785 million. As of December 31, 1994, $64.1 million has been placed in external trusts to cover these future costs. Management does not anticipate decommissioning to have any negative impacts on WPSC's liquidity or capital resources, since these costs are currently funded through external decommissioning trusts.

WPSC received a two-year rate order from the PSCW which became effective January 1, 1995. This rate order decreased electric retail rates by 2.6% and kept retail gas rates at current levels. This order also increased the authorized rate of return on common equity from 11.3% to 11.5%.

Statement of Financial Accounting Standards ("SFAS") No. 112, Employers' Accounting for Post-Employment Benefits, became effective in 1994. This statement establishes the accounting and reporting standard for the estimated cost of benefits provided by an employer to former or inactive employees after employment but before retirement. The effect of this statement was not material.

ELECTRIC SALES
1990-1994
Megawatt-Hours (Thousands)



SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, became effective in 1994. This statement establishes the accounting and reporting standard for investments in debt and marketable equity securities. This standard primarily impacts nuclear decommissioning investments. The effect of this statement was not material.

SFAS No. 119, Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments, also became effective in 1994. This statement establishes disclosure requirements for derivatives. As of December 31, 1994, the Company had no derivatives.

TRENDS

WPSC follows SFAS No. 71, Accounting for the Effects of Certain Types of Regulation, and its financial statements reflect the effects of the different ratemaking principles followed by the various jurisdictions regulating the utility. These include the PSCW, 89% of revenues, the Michigan Public Service Commission, 2% of revenues, and the Federal Energy Regulatory Commission ("FERC"), 9% of revenues. In addition, Kewaunee is regulated by the Nuclear Regulatory Commission. Environmental matters are primarily governed by the Environmental Protection Agency and the Wisconsin Department of Natural Resources.

The single most important development in the electric utility industry is the trend toward increased competition brought about by a combination of new legislation, changing regulation and market forces. Transmission access, mandated by the Energy Policy Act of 1992, increased competition in the wholesale power segment of the business and put pressure on profit margins. Certain segments of the industry could become deregulated. Low-cost energy producers, such as WPSC, are in a position to benefit from competitive markets.

The PSCW has initiated a proceeding to consider restructuring electric utility regulation in Wisconsin. Matters to be addressed include:

- Whether generation, transmission and distribution functions will be allowed to exist together in the same company.
- Whether retail wheeling should be allowed.
- Whether utilities should be obligated to serve those customers who have the ability to choose between alternate suppliers.
- Whether utilities will be given the ability to price services based on market factors rather than the traditional regulatory-pricing model.
- The treatment of stranded investment in utility plant and regulatory assets.

In order to address the complexities in the natural gas market resulting from FERC Order 636, which became effective in November 1993, the Company formed a non-regulated subsidiary, WPS Energy Services, Inc., to market energy and related services.

WPSC has accrued $26.9 million for the future environmental remediation of eight manufactured gas plant sites which it operated previously. This accrual is based on studies at two sites and was used as the basis for projecting costs on the remaining six sites. The range of cleanup costs for all eight sites is estimated to be from $14.8 million to $29.3 million.

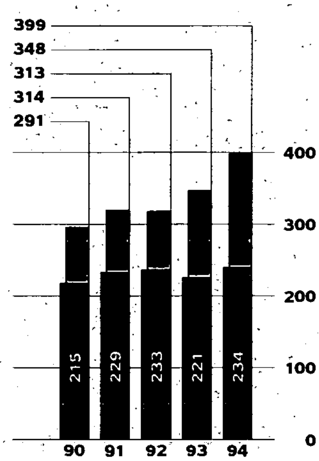
These estimates will be adjusted as additional site-specific studies are completed, three of which are anticipated in 1995. Factors that can impact future cost estimates include the volume of contaminated soil and changes in remedial technology and regulatory requirements. A recent Wisconsin rate order provides that these costs may be recovered from customers over a five-year period after expenditures are incurred, but that no return on unrecovered costs is permitted.

The estimated cleanup costs presented do not take into consideration recovery from insurance carriers or other third parties. In June 1994, the Wisconsin Supreme Court ("Court") held that insurance coverage was not available for environmental cleanup costs to the extent the clean up is done to prevent or mitigate future injury. The Court also held that a notification letter from a government agency about an environmental situation did not constitute a suit, triggering the insurers' duty to defend. WPSC is exploring alternative approaches for pursuing claims against carriers in light of the decision.

In addition, WPSC has been notified that it is a minor participant in a number of waste disposal site cleanup efforts. However, no significant costs are anticipated to clean up these sites.

Federal Clean Air Act Amendments ("Act") were enacted in 1990. The Act establishes stringent sulfur dioxide and nitrogen oxide emission limitations. Wisconsin previously had enacted laws to limit sulfur emissions. WPSC meets the sulfur dioxide emission standards scheduled to take effect in the year 2000 as a result of switching to lower-sulfur fuels. However, some additional capital expenditures will be required to upgrade existing equipment and to monitor emission levels. These expenditures are estimated to be in the range of $15 to $25 million between 1995 and 1999.

GAS DELIVERIES
1990-1994
Therms (Millions)



Sales
Transportation

The steam generator tubes at Kewaunee are susceptible to corrosion characteristics seen throughout the nuclear industry. Annual inspections are performed to identify degraded tubes which are either repaired by sleeving or are removed from service by plugging. The steam generators were designed with approximately a 15% heat-transfer margin, meaning that full power should be sustainable with the equivalent of 15% of the steam generator tubes plugged. Tube plugging and the build-up of deposits on the tubes affect the heat-transfer capability of the steam generators to the point where eventually full power operation is not possible, and there is a gradual decrease in the capacity of the plant. The plant's capacity could be reduced by as much as 20% by the year 2013. To date, approximately 12% of the tubes have been plugged, with no reduction in capacity. WPSC continues to evaluate the operation of the steam generators without replacement and appropriate repair strategies, including replacement. WPSC also continues to evaluate and implement initiatives to improve the performance of Kewaunee which already performs at above-average levels for the industry. These initiatives include conversion from a twelve-month to an eighteen-month refueling and major maintenance cycle, beginning in the spring of 1995, and numerous other cost-reduction measures. These initiatives have resulted in approximately a 25% reduction in Kewaunee operating and maintenance costs since 1991. WPSC intends to operate Kewaunee until at least the expiration of the present operating license in 2013.

In 1995, WPSC is initiating a new demand-side management ("DSM") program which involves loans and shared savings. Prior to 1995, DSM expenditures were recovered from all customers. The new program provides that those who benefit from energy-saving programs will finance them. As of December 31, 1994, WPSC had $46.5 million of deferred DSM expenditures which will be recovered in future rates.

Local 310 of the International Union of Operating Engineers, representing 1,070 of WPSC's employees, ratified a new three-year contract with WPSC. The agreement provides for work force flexibility in that, for the duration of the contract, union employees can perform traditional union work across craft lines, perform non-union work and perform work traditionally performed by contractors; and non-union employees can perform some union work. The flexibility that this contract provides will allow WPSC to more easily adapt to the changing utility environment.

IMPACT OF INFLATION

Current financial statements are prepared in accordance with generally accepted accounting principles and report operating results in terms of historic cost. They provide a reasonable, objective and quantifiable statement of financial results, but they do not evaluate the impact of inflation. Under rate treatment prescribed by the utility's regulatory commissions, projected operating costs are recoverable in revenues. Because forecasts are prepared assuming inflation, the majority of inflationary effects on normal operating costs are recoverable in rates. However, in these forecasts, WPSC only is allowed to recover the historical cost of plant via depreciation.

Although new rates will not be implemented in 1996 due to the two-year rate order in the Wisconsin jurisdiction, management believes inflation will be offset by the impact of customer growth and increased productivity.

Consolidated Statements of Income and Retained Earnings

Year Ended December 31 (Thousands, except share amounts)	1994	1993	1992
Operating revenues			
Electric	**$480,816**	$493,256	$477,625
Gas	**192,979**	187,376	157,177
Total operating revenues	**673,795**	680,632	634,802
Operating expenses			
Electric production fuels	**111,011**	114,051	123,866
Purchased power	**38,631**	30,703	29,594
Gas purchased for resale	**137,014**	133,347	109,890
Other operating expenses	**148,917**	148,270	135,614
Maintenance	**49,983**	51,597	46,436
Depreciation and decommissioning	**56,365**	60,609	58,592
Taxes other than income	**26,063**	25,204	24,459
Total operating expenses	**567,984**	563,781	528,451
Operating income	**105,811**	116,851	106,351
Other income			
Allowance for equity funds used during construction	**108**	287	494
Other, net	**4,473**	3,356	6,076
Total other income	**4,581**	3,643	6,570
Income before interest expense	**110,392**	120,494	112,921
Interest on long-term debt	**23,407**	24,393	25,662
Other interest	**1,796**	1,562	1,477
Allowance for borrowed funds used during construction	**(139)**	(200)	(542)
Total interest expense	**25,064**	25,755	26,597
Income before income taxes	**85,328**	94,739	86,324
Income taxes	**29,526**	32,539	28,322
Preferred stock dividends of subsidiary	**3,111**	3,311	3,237
Net income	**52,691**	58,889	54,765
Retained earnings at beginning of year	**287,915**	271,220	256,605
Cash dividends on common stock	**(43,014)**	(42,045)	(40,150)
Other	**–**	(149)	–
Retained earnings at end of year	**$297,592**	$287,915	$271,220
Average shares of common stock outstanding	**23,897**	23,888	23,350
Earnings per average share of common stock	**$2.21**	$2.47	$2.35
Dividend per share of common stock	**1.80**	1.76	1.72

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

Assets		
At December 31 (Thousands)	*1994*	*1993*
Utility plant		
Electric	**$1,412,666**	$1,374,662
Gas	**202,903**	183,798
Total	**1,615,569**	1,558,460
Less – Accumulated provision for depreciation and decommissioning	**846,505**	801,056
Total	**769,064**	757,404
Nuclear decommissioning trusts	**64,147**	56,699
Construction in progress	**11,131**	11,781
Nuclear fuel, less accumulated amortization	**19,417**	17,981
Net utility plant	**863,759**	843,865
Current assets		
Cash and equivalents	**13,167**	5,391
Customer and other receivables, net of reserves	**60,029**	66,511
Accrued utility revenues	**28,820**	37,314
Fossil fuel, at average cost	**10,505**	10,208
Gas in storage, at average cost	**15,787**	19,885
Materials and supplies, at average cost	**20,585**	19,411
Prepayments and other	**21,122**	21,420
Total current assets	**170,015**	180,140
Regulatory assets	**109,135**	110,750
Investments and other assets	**74,366**	64,086
Total	**$1,217,275**	$1,198,841

Capitalization and Liabilities

At December 31 (Thousands)	*1994*	*1993*
Capitalization		
Common stock equity	**$ 446,540**	$ 433,724
Preferred stock of subsidiary with no mandatory redemption	**51,200**	51,200
Long-term debt	**309,945**	314,225
Total capitalization	**807,685**	799,149
Current liabilities		
Note payable	**10,000**	10,000
Commercial paper	**12,500**	11,000
Accounts payable	**66,643**	64,113
Accrued taxes	**1,152**	3,266
Accrued interest	**8,068**	7,695
Other	**7,494**	10,735
Total current liabilities	**105,857**	106,809
Long-term liabilities and deferred credits		
Accumulated deferred income taxes	**126,639**	138,952
Accumulated deferred investment tax credits	**32,172**	34,210
Regulatory liabilities	**65,995**	61,434
Long-term liabilities	**78,927**	58,287
Total long-term liabilities and deferred credits	**303,733**	292,883
Commitments and contingencies *(See Note 6)*		
Total	**$1,217,275**	$1,198,841

The accompanying notes are an integral part of these statements.

At December 31 (Thousands, except share amounts)			1994	1993
Common stock equity				
Common stock, $1 par value, 100,000,000 shares authorized; and 23,896,962 shares outstanding			**$ 23,897**	$ 23,897
Premium on capital stock			**145,021**	145,295
Retained earnings			**297,592**	287,915
ESOP loan guarantees			**(19,970)**	(23,383)
Total common stock equity			**446,540**	433,724
Preferred stock – Wisconsin Public Service Corporation				
Cumulative, $100 par value, 1,000,000 shares authorized; with no mandatory redemption				
	Series	Shares Outstanding		
	5.00%	132,000	**13,200**	13,200
	5.04%	30,000	**3,000**	3,000
	5.08%	50,000	**5,000**	5,000
	6.76%	150,000	**15,000**	15,000
	6.88%	150,000	**15,000**	15,000
Total preferred stock			**51,200**	51,200
Long-term debt				
First mortgage bonds – Wisconsin Public Service Corporation				
	Series	Year Due		
	5¼%	1998	**50,000**	50,000
	7.30%	2002	**50,000**	50,000
	6.80%	2003	**50,000**	50,000
	6⅛%	2005	**9,075**	9,075
	6.90%	2013	**22,000**	22,000
	10⅛%	2014	**–**	1,000
	8.80%	2021	**60,000**	60,000
	7⅛%	2023	**50,000**	50,000
Total			**291,075**	292,075
Unamortized discount and premium on bonds, net			**(1,154)**	(1,257)
Total first mortgage bonds			**289,921**	290,818
ESOP loan guarantees			**19,970**	23,383
Other long-term debt			**54**	24
Total long-term debt			**309,945**	314,225
Total capitalization			**$807,685**	$799,149

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 (Thousands)	1994	1993	1992
Cash flows from operating activities			
Net income	**$ 52,691**	$ 58,889	$ 54,765
Adjustments to reconcile net income to net cash from operating activities			
Depreciation and decommissioning	**56,365**	60,609	58,592
Amortization of nuclear fuel and other	**28,811**	27,693	20,522
Deferred income taxes	**(4,562)**	(867)	7,266
Investment credit restored	**(2,038)**	(1,860)	(2,022)
AFUDC equity	**(108)**	(287)	(494)
Pension funding	**(10,808)**	(9,830)	–
Post-retirement funding	**7,036**	5,915	–
Deferred demand-side management expenditures	**(9,659)**	(18,988)	(32,073)
Other, net	**(8,695)**	6,322	(3,601)
Changes in			
Customer and other receivables	**6,482**	(3,938)	3,100
Accrued utility revenues	**8,494**	(3,434)	(4,335)
Fossil fuel inventory	**(297)**	(5,565)	2,788
Accounts payable	**2,530**	8,813	(6,886)
Accrued taxes	**(2,114)**	2,032	3,425
Net cash from operating activities	124,128	125,504	101,047
Cash flows from (used for) investing activities			
Construction and nuclear fuel expenditures	**(68,680)**	(68,454)	(94,669)
Allowance for borrowed funds used during construction	**(139)**	(200)	(542)
Decommissioning funding	**(7,448)**	(5,676)	(5,518)
Sale of interest in combustion turbine	**–**	7,849	–
Other	**2,429**	3,515	2,784
Net cash from (used for) investing activities	(73,838)	(62,966)	(97,945)
Cash flows from (used for) financing activities			
Proceeds from issuance of common stock	**–**	1,693	26,439
Proceeds from issuance of preferred stock	**–**	15,000	–
Redemption of preferred stock	**–**	(15,000)	–
Sale of first mortgage bonds	**–**	172,000	59,075
Redemption and maturities of first mortgage bonds	**(1,000)**	(189,973)	(55,765)
Change in commercial paper	**1,500**	1,000	7,000
Common stock dividends	**(43,014)**	(42,045)	(40,150)
Net cash from (used for) financing activities	(42,514)	(57,325)	(3,401)
Net increase (decrease) in cash and equivalents	7,776	5,213	(299)
Cash and equivalents at beginning of year	5,391	178	477
Cash and equivalents at end of year	$ 13,167	$ 5,391	$ 178
Cash paid during year for			
Interest, less amount capitalized	**$ 20,693**	$ 21,973	$ 22,678
Income taxes	**40,333**	33,177	18,301
Preferred stock dividends of subsidiary	**3,111**	3,332	3,287
Construction and nuclear fuel expenditures, including accruals, AFUDC and customer contributions	**78,286**	72,731	102,281

The accompanying notes are an integral part of these statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of WPS Resources Corporation has prepared and is responsible for the consolidated financial statements and related financial information encompassed in this annual report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles, and financial information included elsewhere in this report is consistent with the consolidated financial statements.

The Company maintains a system of internal accounting control designed to provide reasonable assurance that the Company's assets are safeguarded and that transactions are executed and recorded in accordance with authorized procedures. Written policies and procedures have been developed to support the internal controls in place and are updated as necessary.

The Company also maintains an internal auditing department that reviews and assesses the effectiveness of selected internal controls, and reports to management as to their findings and recommendations for improvement.

The Board of Directors has established an Audit Committee, comprised entirely of outside directors, which actively assists the Board in its role of overseeing the Company's financial reporting process and the system of internal control.

The accompanying consolidated financial statements have been audited by Arthur Andersen LLP, independent public accountants, whose report follows.

Daniel A. Bollom
President and Chief Executive Officer

Patrick D. Schrickel
Vice President

Diane L. Ford
Controller

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To WPS Resources Corporation:

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of WPS Resources Corporation (a Wisconsin corporation) and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 1994. 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 in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WPS Resources Corporation and subsidiaries as of 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.

As discussed in notes (1)(l) and (1)(m) to the consolidated financial statements, effective January 1, 1993, WPS Resources Corporation changed its method of accounting for post-retirement benefits other than pensions and income taxes.

Milwaukee, Wisconsin,
January 26, 1995

ARTHUR ANDERSEN LLP

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Reorganization - On September 1, 1994, WPS Resources Corporation ("Company"), pursuant to a one-for-one share exchange, acquired all of the common stock of Wisconsin Public Service Corporation ("WPSC"). As a result, WPSC became a wholly-owned subsidiary of the Company. The financial statements of the Company have been consolidated with the operations of its subsidiaries for all periods presented. As of December 31, 1994, WPSC, an electric and gas utility, represented over 99% of the Company's consolidated assets, revenues and net income.

Preferred stock dividends of WPSC have been retroactively restated as a nonoperating expense. Thus, the Company's net income is $3.3 million and $3.2 million less than WPSC's net income for the years ended December 31, 1993 and 1992, respectively. This restatement does not impact earnings per share of common stock.

Certain prior-period amounts in the consolidated financial statements have been reclassified to conform with current-year presentations.

(b) Consolidation - The consolidated financial statements include the Company and its wholly-owned subsidiaries, WPS Energy Services, Inc. ("WPSE"), WPSC and WPSC's wholly-owned subsidiary, WPS Leasing, Inc. All significant intercompany transactions and accounts have been eliminated.

(c) Utility Plant - Utility plant is stated at the original cost of construction which includes an allowance for funds used during construction ("AFUDC"). Approximately 50% of retail jurisdictional construction work in progress ("CWIP"), except for major new generating facilities which earn AFUDC on the full amount, is subject to AFUDC using a rate based on WPSC's overall cost of capital. For 1994, the retail AFUDC rate was approximately 10.1%.

AFUDC is recorded on wholesale jurisdictional electric CWIP at debt and equity percentages specified in the FERC Uniform System of Accounts. For 1994, this rate was approximately 4.3%.

Substantially all of WPSC's utility plant is subject to a first mortgage lien.

(d) Property Additions, Maintenance and Retirements - The cost of renewals and betterments of units of property (as distinguished from minor items of property) is charged to utility plant accounts. The cost of units of property retired, sold or otherwise disposed of, plus removal costs, less salvage, is charged to the accumulated provision for depreciation. No profit or loss is recognized in connection with ordinary retirements of utility property units. Maintenance and repair costs and replacement and renewal of items less than units of property are generally charged to operating expense.

In October 1993, WPSC sold, at cost, a 32% interest in a combustion turbine to a municipality for $7.8 million.

(e) Depreciation - Straight-line composite depreciation expense is recorded over the estimated useful life of the property and includes estimated salvage and cost of removal. These rates have been approved by the Public Service Commission of Wisconsin ("PSCW"). Effective January 1, 1994, depreciation rates were revised based on new estimates which decreased annual depreciation expense by approximately $5.8 million. This decrease was considered in setting customer rates.

	1994	*1993*	*1992*
Annual composite depreciation rates			
Electric	**3.41%**	3.89%	3.87%
Gas	**3.37%**	3.81%	3.81%

(f) Nuclear Decommissioning - Nuclear decommissioning costs are accrued over the estimated service life of the Kewaunee Nuclear Power Plant ("Kewaunee"), currently recovered from customers in rates and deposited in external trusts. Such costs totaled $4.0, $2.4 and $2.4 million for 1994, 1993 and 1992, respectively. In July 1994, the PSCW issued a generic order covering utilities with nuclear generation. This order standardizes the escalation assumptions used in determining nuclear decommissioning liabilities. The undiscounted amount of decommissioning costs estimated to be expended between the years 2014 to 2050 are $785 million. Long-term after-tax earnings of 5.5% are assumed. As a result of this change, annual decommissioning costs recovered in customer rates in 1995 will be approximately $8.7 million. As of December 31, 1994, the accumulated provision for depreciation and decommissioning included accumulated provisions for decommissioning totaling $64.1 million.

WPSC's share of Kewaunee decommissioning costs are estimated to be $147 million in current dollars based on a site-specific study, performed in 1992, using immediate dismantlement as the method of decommissioning. As of December 31, 1994, the external trusts totaled $64.1 million and were valued at market.

Depreciation expense includes decommissioning costs recovered in customer rates and a charge to offset earnings from the external trusts. Trust earnings totaled $2.4, $3.5 and $3.3 million for the years ended December 31, 1994, 1993 and 1992, respectively.

(g) Nuclear Fuel - The cost of nuclear fuel is amortized to electric production fuel expense based on the quantity of heat produced for the generation of electric energy by Kewaunee. The costs amortized to electric fuel expense (which assume no salvage values for uranium or plutonium) include an amount for ultimate disposal and are recovered through current rates. As required by the Nuclear Waste Policy Act of 1982, a contract with the Department of Energy ("DOE") has been signed, and quarterly payments are being made to the DOE for the fuel storage based on generation. Interim storage space for spent nuclear fuel is provided at Kewaunee, and expenses associated with this storage are recognized as current operating costs. Currently, there is on-site storage capacity for spent fuel through the year 2013. As of December 31, 1994 and 1993, the accumulated provisions for nuclear fuel totaled $136.5 million and $130.0 million, respectively.

(h) Cash and Equivalents - The Company considers short-term investments with an original maturity of three months or less to be cash equivalents.

(i) Revenue and Customer Receivables - WPSC accrues revenues related to electric and gas service, including estimated amounts for service rendered but not billed.

As of December 31, 1994, energy conservation loans to customers amounting to $1.7 million are included in customer receivables and in investments and other assets. The carrying amount of the loans closely approximates their market value.

Automatic fuel-adjustment clauses are used for FERC wholesale-electric and Michigan Public Service Commission ("MPSC") retail-electric portions of WPSC's business. The PSCW retail-electric portion of the business uses a "cost variance range approach." This range is based on a specific estimated fuel cost for the next year. If WPSC's actual fuel costs fall outside this range, a hearing may be held and an adjustment to future rates may result. WPSC has a purchased-gas-adjustment clause which allows it to pass on to all classes of gas customers changes in the cost of gas purchased from its suppliers, subject to PSCW and MPSC review.

WPSC is required to provide service and grant credit to customers within its defined service territory and is precluded from discontinuing service to residential customers during certain periods of the year. WPSC continually reviews its customers' credit-worthiness and obtains deposits or refunds deposits accordingly. WPSC is permitted to recover bad debts in utility rates.

Approximately 8% of WPSC's total revenues are from companies in the paper products industry.

(j) Regulatory Assets and Liabilities - WPSC is subject to the provisions of Statement of Financial Accounting Standard ("SFAS") No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenue associated with certain costs which will be recovered from customers through the ratemaking process. Regulatory liabilities represent costs previously collected that are refundable in future rates. The following regulatory assets and liabilities were reflected in the Consolidated Balance Sheets as of December 31:

(Thousands)	*1994*	*1993*
Regulatory assets		
DSM expenditures	**$ 46,510**	$ 46,219
Coal and rail contract buy-out costs	**18,228**	24,269
Environmental remediation costs	**27,361**	16,667
Debt refinancing costs	**5,314**	7,725
Enrichment facility fee	**6,744**	5,830
Natural gas obligations	**1,856**	3,713
Other	**3,122**	6,327
Total	**$ 109,135**	$110,750
Regulatory liabilities		
Income tax related	**$ 38,599**	$ 33,030
Pensions	**17,342**	22,021
Conservation costs	**7,221**	3,494
Other	**2,833**	2,889
Total	**$ 65,995**	$ 61,434

As of December 31, 1994, most of WPSC's regulatory assets are being recovered through rates charged to customers over periods ranging from two to ten years. Pursuant to a PSCW rate order, effective January 1, 1995, WPSC is to recover approximately $23.6 million of regulatory costs per year.

Based on prior and current rate treatment of such costs, management believes it is probable that WPSC will continue to recover from ratepayers the deferred charges described above.

See notes (1)(l) and (1)(m) for specific discussion of pension and deferred tax regulatory liabilities, and note 6 for discussion of environmental-remediation deferred costs.

(k) Investments and Other Assets - Investments include various immaterial affiliates whose income is included in other income and deductions using the equity method of accounting. Other assets include prepaid pension assets, operating deposits for jointly-owned plants, the cash surrender value of life insurance policies and the long-term portion of energy conservation loans to customers.

(l) Employee Benefit Plans - WPSC has non-contributory retirement plans covering substantially all employees under which annual contributions are made to an irrevocable trust established to provide retired employees with a monthly payment if conditions relating to age and length of service have been met. The plans are fully funded, and no contributions were made in 1994, 1993 or 1992. Prior to January 1, 1993, the PSCW required the recognition of the funded amounts for ratemaking purposes. Concurrent with a rate order, effective January 1, 1993, WPSC began recovering pension costs in customer rates under SFAS No. 87, Employers' Accounting for Pensions, and began returning to ratepayers, over five years, the cumulative excess of amounts recovered from customers over SFAS No. 87 costs.

The tables below set forth the plans' funded status and expense (income).

WPSC also offers medical, dental and life insurance benefits to employees, retirees and their dependents. The expenses for active employees are expensed as incurred. Prior to 1993, WPSC expensed amounts related to post-retirement health and welfare plans to the extent that such amounts were funded to external trusts.

Effective January 1, 1993, and concurrent with a rate order, WPSC adopted SFAS No. 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions, which requires the cost of post-retirement benefits for employees to be accrued as expense over the period in which the employee renders service and becomes eligible to receive benefits. In adopting SFAS No. 106, WPSC elected to recognize the transition obligation for current and future retirees over twenty years.

Since 1981, WPSC has been funding amounts to irrevocable trusts as allowed for income tax purposes.

As of December 31 (Thousands, except for percentages)	***1994***	*1993*	*1992*
Vested benefit obligation	**$(162,435)**	$(162,304)	
Non-vested benefit obligation	**(7,868)**	(8,084)	
Total actuarial present value of accumulated benefit obligation	**$(170,303)**	$(170,388)	
Projected benefit obligation for service rendered to date	**$ (231,134)**	$(235,661)	
Plan assets at fair value	**329,424**	342,540	
Plan assets in excess of projected benefit obligation	**98,290**	106,879	
Unrecognized net gain	**(47,670)**	(59,024)	
Prior service cost not yet recognized	**6,297**	7,044	
Unrecognized net asset	**(26,920)**	(30,384)	
Prepaid retirement plan cost	**$ 29,997**	$ 24,515	
The net retirement plan expense (income) includes the following components			
Service cost	**$ 6,333**	$ 5,935	$ 4,251
Interest cost	**17,308**	16,375	15,003
Actual return on plan assets	**2,555**	(37,856)	(25,826)
Net amortization and deferral	**(31,678)**	11,042	463
Regulatory adjustment to funded amount	**(5,326)**	(5,326)	6,109
Net retirement plan expense (income)	**$ (10,808)**	$ (9,830)	$ –
The assumed rates for calculations used in the above tables were			
Expected long-term return on investments	**9.00%**	9.00%	9.00%
Average rate for future salary increases	**6.25%**	6.25%	6.25%
Discount rate to compute projected benefit obligation	**8.00%**	7.50%	7.50%

These funded amounts have been expensed and recovered through customer rates. The investments in the trust covering administrative employees are subject to federal income taxes at a 39.6% tax rate, while the non-administrative trust is tax-exempt.

The tables below set forth the plans' accrued post-retirement benefit obligation ("APBO") as of December 31, 1994 and 1993 and the expense provision for the years then ended.

The assumed expected long-term return on investments and the discount rate used to measure the APBO under SFAS No. 106 are consistent with rates used to calculate the pension plans' funded status and expense under SFAS No. 87. The assumed health care cost trend rates for 1995 are 11.5% for medical and 8.5% for dental, decreasing to 7.0% and 5.0%, respectively, by the year 2006. Increasing each of the medical and dental cost trend rates by 1% in each year would increase the total APBO as of December 31, 1994 by $24.7 million and the total net periodic post-retirement benefit cost for the year then ended by $4.1 million.

During 1992, the cost of post-retirement health care benefits was $2.7 million. As of December 31, 1994, WPSC had approximately 1,000 retirees eligible to receive health care benefits.

Concurrent with a rate order which was effective January 1, 1994, WPSC adopted SFAS No. 112, Employers' Accounting for Post-Employment Benefits, which establishes accounting and reporting standards for post-employment benefits other than those covered by SFAS Nos. 87 and 106. In connection therewith, WPSC expensed in 1994 the transition obligation of $1.8 million and recovered this cost through its customer rates.

WPSC has a leveraged Employee Stock Ownership Plan and Trust ("ESOP") that held 2,240,500 shares of Company common stock (market value of approximately $59.9 million) at December 31, 1994. At that date, the ESOP also had loans guaranteed by WPSC and secured by the common stock. At December 31, 1994, these loans had recorded values of $1.8 million (bearing an interest rate of 73.5% of prime rate) and $18.2 million (bearing an interest rate of 9.33%). The estimated market value of these loans at December 31, 1994 totaled $20.5 million.

Principal and interest on the loans are to be paid through WPSC contributions and through dividends on Company common stock held by the ESOP. Shares in the ESOP are allocated to participants as the loans are repaid. Tax benefits from dividends paid to the ESOP are recognized as a reduction in WPSC's cost of providing service to customers. The PSCW has allowed WPSC to include in cost of service an additional employer contribution to the plan. The net effect of the tax benefits and of the employee contribution is an approximately equal sharing of benefits of the program between customers and employees.

(Thousands)	*1994*	*1993*
APBO attributable to		
Retirees and dependents	**$ (53,060)**	$(47,095)
Fully eligible active plan participants	**(5,559)**	(5,671)
Other active plan participants	**(68,084)**	(66,681)
Total APBO	**(126,703)**	(119,447)
Fair value of plan assets	**70,460**	68,408
APBO in excess of plan assets	**(56,243)**	(51,039)
Unrecognized net loss	**63**	(632)
Unrecognized transition obligation	**43,321**	45,756
Accrued post-retirement benefit obligation	**$ (12,859)**	$ (5,915)
Service cost	**$ 4,853**	$ 4,379
Interest cost	**8,830**	8,248
Actual return on plan assets	**(946)**	(3,993)
Net amortization and deferral	**(1,774)**	1,394
Post-retirement benefit cost	**$ 10,963**	$ 10,028

(m) Income Taxes - Effective January 1, 1993, WPSC adopted the liability method of accounting for income taxes as prescribed by SFAS No. 109, Accounting for Income Taxes. Under the liability method, deferred income tax liabilities are established based upon enacted tax laws and rates applicable to the periods in which the taxes become payable. The adoption of this accounting standard had an insignificant impact on the Company's net income. The excess deferred income taxes, resulting from taxes provided at rates greater than current rates, and the previously unrecorded deferred income taxes, have been recorded as a net regulatory liability to be refunded to customers in future years. Such net regulatory liability totaled $38.6 million as of December 31, 1994.

The effective income tax rates are computed by dividing total income tax expense, including investment credit restored, by the sum of such expense and net income. Previously deferred investment tax credits are being restored over the life of the related utility plant. The components of income tax expense are set forth in the tables below.

As of December 31, 1994 and 1993, the Company had the following significant temporary differences that created deferred tax assets and liabilities:

(Thousands)	***1994***	*1993*
Deferred tax assets		
Plant related	**$ 50,537**	$ 48,853
Other	**26,637**	17,207
Total	**77,174**	66,060
Deferred tax liabilities		
Plant related	**161,605**	162,752
DSM expenditures	**18,359**	18,242
Coal and rail contract buy-out costs	**7,043**	9,154
Other	**16,806**	14,864
Total	**203,813**	205,012
Net deferred tax liabilities	**$126,639**	$138,952

(Thousands, except for percentages)	***1994***		*1993*		*1992*	
	Rate	***Amount***	*Rate*	*Amount*	*Rate*	*Amount*
Statutory federal income tax	**35.0%**	**$29,865**	35.0%	$33,159	34.0%	$29,350
State income taxes, net	**6.2**	**5,232**	4.9	4,636	5.2	4,518
Investment credit restored	**(2.4)**	**(2,038)**	(2.0)	(1,860)	(2.3)	(2,022)
Rate difference on reversal of income tax temporary differences	**(1.6)**	**(1,344)**	(1.5)	(1,441)	(2.1)	(1,843)
Dividends paid to ESOP	**(1.7)**	**(1,445)**	(1.5)	(1,434)	(1.6)	(1,381)
Other differences, net	**(0.9)**	**(744)**	(0.5)	(521)	(0.4)	(300)
Effective income tax	**34.6%**	**$29,526**	34.4%	$32,539	32.8%	$28,322
Current provision						
Federal		**$28,681**		$28,212		$18,284
State		**7,445**		7,054		4,794
Total current provision		**36,126**		35,266		23,078
Deferred provision (benefit)		**(4,562)**		(867)		7,266
Investment credit restored, net		**(2,038)**		(1,860)		(2,022)
Total income tax expense		**$29,526**		$32,539		$28,322

(2) COMMERCIAL FAFER AND LINES OF CREDIT

To support outstanding commercial paper, the Company maintains unused bank lines of credit. Some of these lines may be withdrawn at the discretion of the lenders. While some cash balances represent compensating balances for credit lines and bank services, there are no legal restrictions as to withdrawal of these funds. The majority of the lines of credit require a fee based on the unused balance.

The following information relates to short-term borrowings and lines of credit for the years indicated:

(Thousands, except for percentages)	**1994**	*1993*	*1992*
As of end of year			
Discount rate on outstanding commercial paper	**6.0%**	3.4%	3.4%
Interest rate on note payable	**6.0%**	3.3%	3.5%
Unused lines of credit	**$22,870**	$22,970	$23,150
Compensating balance requirements	**$94**	$99	$108
For the year			
Maximum amount of borrowings	**$26,000**	$27,000	$22,500
Average amount of borrowings	**$10,844**	$12,263	$12,414
Weighted average interest rate on borrowings	**4.3%**	3.2%	3.8%

Included in the above lines of credit are agreements with commercial banks that permit the Company to borrow up to $16 million at any time provided there is compliance with certain financial covenants. These agreements extend for thirteen months or more. As of December 31, 1994, no borrowings were outstanding under these agreements.

(3) JOINTLY-OWNED FACILITIES

Information regarding WPSC's share of major jointly-owned electric generating facilities in service at December 31, 1994 is as follows:

WPSC's share of direct expenses for these plants is included in the corresponding operating expenses in the consolidated statements of income, and WPSC has supplied its own financing for all jointly-owned projects.

(4) LONG-TERM DEBT

Sinking fund requirements on first mortgage bonds may be satisfied by the deposit of cash or reacquired bonds with the trustee and, for certain series, by the application of net expenditures for bondable property in an amount equal to 166⅔% of the annual requirements.

All series requiring the deposit of cash or reacquired bonds for sinking fund purposes have been satisfied to maturity. For those series requiring unpledged property to satisfy sinking fund requirements, the Company has adequate unpledged property to satisfy the requirement for at least ten years.

In 1998, $50 million of 5¼% bonds will mature.

As of December 31, 1994, the market value of WPSC's first mortgage bonds was $273.0 million. These bonds have a recorded value of $291.1 million. Historically, gains or losses resulting from the settlement on long-term debt obligations have been deferred as required by regulators.

(5) COMMON EQUITY

In June 1992, 800,000 shares of new common stock were issued. This sale increased the common stock balance by $3.2 million ($4 par per share) and premium on capital by $19.4 million ($24.25 per share). Also, beginning in June 1992, WPSC commenced a sale of shares to meet dividend reinvestment program ("DRP") requirements. During 1994 and 1993, no and 50,818 new shares of common stock, respectively, were issued under the DRP and 391,658 shares were available for issuance at December 31, 1994. In April 1993, WPSC stopped issuing common stock under the DRP and began purchasing common stock on the open market for shareholder reinvested dividends.

At December 31, 1994, the Company had $296.6 million of retained earnings available for dividends; however, WPSC is restricted by a PSCW order to paying

(Thousands, except for percentages)	Columbia Energy Center	Edgewater Unit No. 4	Kewaunee
Ownership	31.8%	31.8%	41.2%
Plant capacity (Mw)	335.2	104.9	221.0
Utility plant in service	$107,868	$21,874	$132,227
Accumulated provision for depreciation	$ 56,361	$11,562	$ 74,449
In-service date	1975 and 1978	1969	1974

dividends of no more than 109% of the previous year's common stock dividend without PSCW approval. Also, Wisconsin law prohibits WPSC from making loans to the Company and its subsidiaries and from guaranteeing their obligations. The WPSC equity capitalization ratio at December 31, 1994 was 54% which is the same rate approved by the PSCW for ratemaking purposes.

(6) COMMITMENTS AND CONTINGENCIES

Coal Contracts

To ensure a reliable, low-cost supply of coal, WPSC entered into certain long-term contracts that have take-or-pay obligations totaling $323.7 million from 1995 through 2016. The obligations are subject to force majeure provisions which provide WPSC other options if the specified coal does not meet emission limits which may be mandated in future legislation. In the opinion of management, any amounts paid under the take-or-pay obligations described above would be legitimate costs of service subject to recovery in customer rates.

Gas Costs

WPSC also has natural gas supply and transportation contracts that require total demand payments of $412.3 million through October 2003. Management believes that these costs will be recoverable in future customer rates.

ANR Pipeline Company ("ANR"), WPSC's primary pipeline supplier, filed with the FERC for approval to recover a portion of certain take-or-pay costs it incurred from renegotiating its long-term gas contracts. As a result of the filing, ANR was allowed to recover a portion of these costs from its customers. WPSC began paying its share of these take-or-pay costs to ANR in 1989 and recovering these costs directly from customers through its purchased-gas-adjustment clause. In March 1991, the FERC approved the settlement under which WPSC will pay ANR monthly take-or-pay amounts. Additional take-or-pay claims by ANR may be filed with FERC. To date, the PSCW has granted WPSC recovery of all take-or-pay costs.

In April 1992, the FERC issued Order No. 636 ("Order") which requires natural gas pipelines to restructure their sales and transportation services. As a result of this Order, WPSC is obligated to pay for a portion of ANR's transition costs incurred to comply with the Order. At December 31, 1994, WPSC has an accrued liability with an offsetting regulatory asset in the amount of $1.9 million for a portion of these transition costs. Though there may be additional costs, which could be significant, the amount and timing of these costs are unknown at this time. Management expects to recover these costs in future customer rates.

WPSC will be billed $3.3 million in 1995 for their allocation of ANR's above-market costs of gas purchases from the Dakota Gasification Plant. WPSC is protesting the legality of these costs which could total $49.0 million through 2009.

Nuclear Liability

The Price-Anderson Act provides for the payment of funds for public liability claims arising out of a nuclear incident. In the event of a nuclear incident involving any of the nation's licensed reactors, WPSC is subject to a proportional assessment which is approximately $32.7 million per incident, not to exceed $4.1 million per incident, per calendar year. These amounts represent WPSC's 41.2% ownership share in Kewaunee.

Clean Air Regulations

In 1990, the Federal Clean Air Act Amendments ("Act") were signed into law. The Act requires WPSC to meet new emission limits for sulfur dioxide and nitrogen oxide in 1995 (Phase I) and in the year 2000 (Phase II). Since Wisconsin had already mandated reduced sulfur dioxide emissions by 1993, which were lower than the Federal levels mandated for 1995, WPSC was already working on lowering emissions. WPSC has complied cost effectively with both the Federal and Wisconsin sulfur dioxide laws primarily through fuel-switching. WPSC was in compliance with the Wisconsin sulfur dioxide limits and the Federal Phase II limits in 1994.

The final Federal regulations for nitrogen oxide are not known at this time; however, based on draft rules, WPSC expects to make additional capital expenditures in the range of $15 to $25 million between 1995 and 1999 for Wisconsin and Federal air quality compliance. Management believes that all costs incurred to comply with these laws will be recoverable in future customer rates.

Manufactured Gas Plant Remediation

WPSC currently is investigating the need for environmental clean up of eight manufactured gas plant sites which it previously operated. An environmental consultant has been engaged to develop cost estimates. These estimates are based upon an investigation of two of the sites and assumes excavation of impacted soils, thermal treatment of soils, on-site groundwater extraction and treatment and post-clean up and monitoring for twenty-five years. The consultant has not yet performed detailed investigations of the remaining six sites and, therefore, comparable information on these sites is not available.

WPSC used the estimates for these two sites as a basis for making projections on cleanup costs at the other sites because of certain similar characteristics at the other sites. Thus, for all sites, cleanup costs reflecting anticipated inflation, current technology and no change in regulatory requirements are estimated to be in the range of $14.8 to $29.3 million. Management has accrued $26.9 million for future cleanup costs for all eight sites which will be spent over the next thirty-four years. However, as further investigations are performed on all sites, this estimate may change significantly.

The $26.9 million estimate has been recorded as a liability with an offsetting deferred charge (regulatory asset). Based on a recent rate order, these costs (less any insurance recoveries) will be recoverable in future rates as expenditures are made. However, carrying costs are not recoverable.

As additional site-specific studies are completed (three are anticipated in 1995), these estimates will be adjusted to reflect site-specific data. Other factors that can impact these estimates are the volume of contaminated soil, changes in remediation technology and regulatory requirements.

In June, the Wisconsin Supreme Court ("Court") issued a decision regarding recoveries from insurance companies for environmental remediation costs. The Court held that insurance coverage was not available for environmental cleanup costs to the extent the clean up is done to prevent or mitigate future injury. In addition, the Court held that a notification letter from a government agency about an environmental situation did not constitute a suit which triggers the insurers' duty to defend. WPSC is exploring alternative approaches to pursuing claims against its carriers in light of the decision.

WPSC has made minor payments for the investigation and potential clean up of certain other waste disposal sites. Management believes WPSC has been a minor contributor to the total contamination at these sites and, accordingly, does not believe its share of cleanup costs to be material.

Long-Term Power Supply

WPSC has signed a contract to build a 122-megawatt cogeneration facility with Rhinelander Paper Company and has filed an application for a Certificate of Public Convenience and Necessity with the PSCW requesting approval for the project. Estimated cost for the project is $169 million.

Management estimates 1995 utility plant construction expenditures to be approximately $84.2 million. DSM expenditures are estimated to be $25.8 million, of which approximately $15.0 million will be deferred and amortized over the next ten years consistent with rate recovery.

(7) SEGMENTS OF BUSINESS

The following table presents information for the respective years pertaining to the Company's operations segmented by lines of business. The gas segment includes the nonutility operations of WPSE which commenced operations in 1994.

(Thousands)	**1994**			1993			1992		
	Electric	**Gas**	**Total**	Electric	Gas	Total	Electric	Gas	Total
Operating revenues	**$480,816**	**$192,979**	**$ 673,795**	$ 493,256	$ 187,376	$ 680,632	$ 477,625	$ 157,177	$ 634,802
Operating expenses									
Operation and maintenance	**312,368**	**173,188**	**485,556**	310,534	167,434	477,968	304,347	141,053	445,400
Depreciation	**50,540**	**5,825**	**56,365**	54,498	6,111	60,609	52,819	5,773	58,592
Other taxes	**22,516**	**3,547**	**26,063**	22,064	3,140	25,204	21,687	2,772	24,459
	385,424	**182,560**	**567,984**	387,096	176,685	563,781	378,853	149,598	528,451
Operating income	**95,392**	**10,419**	**105,811**	106,160	10,691	116,851	98,772	7,579	106,351
Identifiable assets *(a)*	**$937,481**	**$191,349**	**$1,128,830**	$ 938,951	$ 184,880	$ 1,123,831	$ 951,074	$ 158,314	$1,109,388
Assets not allocated *(b)*			**88,445**			75,010			36,162
Total assets			**$1,217,275**			$ 1,198,841			$1,145,550
Construction and nuclear fuel expenditures including AFUDC	**$ 58,674**	**$ 19,612**	**$ 78,286**	$ 59,038	$ 13,693	$ 72,731	$ 91,272	$ 11,009	$ 102,281

(a) At December 31 and net of the respective accumulated provisions for depreciation.
(b) Primarily includes cash, investments, pension assets, nonutility property and other receivables.

(8) QUARTERLY FINANCIAL INFORMATION

(Thousands, except for share amounts)	*Three Months Ended*				
			1994		
	March	***June***	***September***	***December***	***Total***
Operating revenues	**$200,730**	**$147,569**	**$152,257**	**$173,239**	**$673,795**
Operating income	**$ 39,568**	**$ 17,843**	**$ 25,255**	**$ 23,145**	**$105,811**
Net income	**$ 21,597**	**$ 7,410**	**$ 12,950**	**$ 10,734**	**$ 52,691**
Average number of shares of common stock outstanding	**23,897**	**23,897**	**23,897**	**23,897**	**23,897**
Earnings per average share of common stock	**$.90**	**$.31**	**$.54**	**$.46**	**$2.21**
			1993		
	March	*June*	*September*	*December (1)*	*Total*
Operating revenues	$189,003	$157,692	$156,310	$177,627	$680,632
Operating income	$ 35,388	$ 22,698	$ 31,992	$ 26,773	$ 116,851
Net income	$ 20,171	$ 10,883	$ 15,673	$ 12,162	$ 58,889
Average number of shares of common stock outstanding	23,861	23,897	23,897	23,897	23,888
Earnings per average share of common stock	$.85	$.45	$.66	$.51	$2.47

Because of various factors which affect the utility business, the quarterly results of operations are not necessarily comparable.

(1) In the quarter ended December 1993, WPSC recorded an adjustment as a result of its annual coal inventory observation. This adjustment increased net income and earnings per average share of common stock by $1.2 million and $.05, respectively, for 1993.

Consolidated Statements of Income

Year Ended December 31 (Thousands)	*1994*	*1993*	*1992*	*1991*	*1990*	*1984*
Operating revenues						
Electric	**$480,816**	$493,256	$477,625	$471,277	$448,905	$405,420
Gas	**192,979**	187,376	157,177	152,222	140,068	238,771
Total operating revenues	**673,795**	680,632	634,802	623,499	588,973	644,191
Operating expenses						
Electric production fuels	**111,011**	114,051	123,866	131,054	129,792	125,457
Purchased power	**38,631**	30,703	29,594	32,886	27,145	6,276
Gas purchased for resale	**137,014**	133,347	109,890	103,189	97,443	198,172
Other operating expenses	**148,917**	148,270	135,614	128,820	117,494	83,404
Maintenance	**49,983**	51,597	46,436	48,223	44,265	34,634
Depreciation and decommissioning	**56,365**	60,609	58,592	55,687	55,363	53,567
Taxes other than income	**26,063**	25,204	24,459	23,034	23,138	20,313
Total operating expenses	**567,984**	563,781	528,451	522,893	494,640	521,823
Operating income	**105,811**	116,851	106,351	100,606	94,333	122,368
Other income and (deductions)						
Allowance for equity funds used during construction	**108**	287	494	113	451	–
Other, net	**4,473**	3,356	6,076	4,351	2,845	(1,956)
Total other income	**4,581**	3,643	6,570	4,464	3,296	(1,956)
Income before interest expense	**110,392**	120,494	112,921	105,070	97,629	120,412
Interest on long-term debt	**23,407**	24,393	25,662	22,127	21,289	16,205
Other interest	**1,796**	1,562	1,477	2,908	3,901	4,301
Allowance for borrowed funds used during construction	**(139)**	(200)	(542)	(193)	(306)	(154)
Total interest expense	**25,064**	25,755	26,597	24,842	24,884	20,352
Income before income taxes	**85,328**	94,739	86,324	80,228	72,745	100,060
Income taxes	**29,526**	32,539	28,322	26,056	23,722	43,790
Preferred stock dividends of subsidiary	**3,111**	3,311	3,237	3,237	3,293	5,789
Net income	**$ 52,691**	$ 58,889	$ 54,765	$ 50,935	$ 45,730	$ 50,481
Shares of common stock outstanding						
At December 31	**23,897**	23,897	23,846	22,889	22,889	23,644
Average	**23,897**	23,888	23,350	22,889	22,889	23,644
Earnings per average share of common stock	**$2.21**	$2.47	$2.35	$2.23	$2.00	$2.14
Dividends per share of common stock	**1.80**	1.76	1.72	1.68	1.64	1.22

Consolidated Balance Sheets

Assets

At December 31 (Thousands)	*1994*	*1993*	*1992*	*1991*	*1990*	*1984*
Utility plant						
Electric	**$1,423,316**	$1,386,007	$1,354,579	$1,277,913	$1,241,346	$1,000,596
Gas	**203,384**	184,234	173,012	164,038	156,428	122,742
Total	**1,626,700**	1,570,241	1,527,591	1,441,951	1,397,774	1,123,338
Less – Accumulated provisions for depreciation and decommissioning	**846,505**	801,056	748,427	695,586	648,398	494,931
Total	**780,195**	769,185	779,164	746,365	749,376	628,407
Nuclear decommissioning trusts, at cost	**64,147**	56,699	51,023	45,504	40,587	–
Nuclear fuel, net	**19,417**	17,981	16,880	18,704	19,531	12,805
Net utility plant	**863,759**	843,865	847,067	810,573	809,494	641,212
Current assets	**170,015**	180,140	160,331	165,393	148,303	137,905
Regulatory and other assets	**183,501**	174,836	138,152	97,571	51,442	14,179
Total assets	**$1,217,275**	$1,198,841	$1,145,550	$1,073,537	$1,009,239	$ 793,296

Capitalization and Liabilities

Capitalization						
Common stock equity	**$ 446,540**	$ 433,724	$ 413,226	$ 369,298	$ 372,132	$ 321,609
Preferred stock of subsidiary with no mandatory redemption	**51,200**	51,200	51,200	51,200	51,200	51,200
Preferred stock of subsidiary with mandatory redemption	–	–	–	–	–	21,684
Long-term debt of subsidiary	**309,945**	314,225	321,498	332,907	273,349	210,481
Total capitalization	**807,685**	799,149	785,924	753,405	696,681	604,974
Liabilities						
Short-term borrowings	**22,500**	21,000	20,000	13,000	35,000	36,470
Bond sinking fund requirements and maturing first mortgage bonds of subsidiary	–	–	8,726	235	235	–
Deferred income taxes	**126,639**	138,952	169,012	160,703	150,199	51,872
Other liabilities and credits	**260,451**	239,740	161,888	146,194	127,124	99,980
Total liabilities	**409,590**	399,692	359,626	320,132	312,558	188,322
Total capitalization and liabilities	**$1,217,275**	$1,198,841	$1,145,550	$1,073,537	$1,009,239	$ 793,296

FINANCIAL STATISTICS

Year Ended December 31	***1994***	*1993*	*1992*	*1991*	*1990*	*1984*
Stock price	**$26¾**	$33⅝	$31¾	$28¼	$23⅜	$15⅝
Coverage						
Times interest earned before income taxes	**4.19**	4.49	3.99	4.00	3.74	6.27
Times interest earned after income taxes	**3.09**	3.29	3.01	3.03	2.84	3.74
Times interest and preferred dividends earned after income taxes	**2.77**	2.93	2.71	2.70	2.53	2.92
Book value per share	**$18.69**	$18.18	$17.33	$16.14	$16.26	$13.60
Return on average equity	**11.4%**	13.1%	13.2%	13.1%	12.1%	16.2%
Capitalization ratios						
Common equity including ESOP	**55.3**	54.3	52.6	49.0	53.4	53.2
Preferred stock	**6.3**	6.4	6.5	6.8	7.4	12.0
Long-term debt	**38.4**	39.3	40.9	44.2	39.2	34.8
Percent long-term debt to net utility plant	**35.9**	37.2	38.0	41.1	33.8	32.8
Average rate						
Bonds	**7.1**	7.1	7.8	8.2	8.0	7.6
Preferred stock	**6.1**	6.1	6.3	6.3	6.3	7.6
Shareholders						
Common stock	**25,395**	25,240	25,983	24,943	25,248	31,440
Preferred stock	**3,372**	3,577	4,167	4,332	4,538	6,553
Number of employees	**2,578**	2,603	2,631	2,619	2,500	2,390

Electric Operating Statistics

	1994	1993	1992	1991	1990	1984
Operating revenues *(Thousands)*						
Residential and farm	**$163,381**	$165,568	$156,659	$158,014	$145,114	$135,833
Small commercial and industrial	**137,323**	140,678	136,164	134,314	125,575	107,436
Large commercial and industrial	**118,121**	123,920	115,147	111,037	108,549	102,032
Resale and other	**61,991**	63,090	69,655	67,912	69,667	60,119
Total	**$480,816**	$493,256	$477,625	$471,277	$448,905	$405,420
Kilowatt-hour sales *(Thousands)*						
Residential and farm	**2,406,479**	2,349,307	2,268,685	2,319,972	2,183,644	1,927,985
Small commercial and industrial	**2,555,488**	2,444,548	2,384,098	2,388,787	2,282,412	1,746,532
Large commercial and industrial	**3,468,390**	3,296,254	3,016,329	2,854,519	2,819,507	2,325,165
Resale and other	**2,121,660**	2,060,804	2,078,057	2,004,925	2,002,351	1,470,282
Total	**10,552,017**	10,150,913	9,747,169	9,568,203	9,287,914	7,469,964
Customers served *(End of period)*						
Residential and farm	**316,442**	310,336	304,404	298,194	293,733	267,461
Small commercial and industrial	**36,491**	35,683	34,783	33,981	33,355	29,591
Large commercial and industrial	**164**	137	129	125	127	111
Resale and other	**796**	794	825	908	944	475
Total	**353,893**	346,950	340,141	333,208	328,159	297,638
Annual average use *(Kwh)*						
Residential and farm	**7,688**	7,649	7,538	7,845	7,495	7,269
Small commercial and industrial	**70,931**	69,532	69,394	70,962	69,427	59,517
Large commercial and industrial	**22,091,659**	24,416,697	23,750,625	22,476,532	22,737,961	21,529,302
Average kwh price *(Cents)*						
Residential and farm	**6.79**	7.05	6.91	6.81	6.65	7.05
Small commercial and industrial	**5.37**	5.75	5.71	5.62	5.50	6.15
Large commercial and industrial	**3.41**	3.76	3.82	3.89	3.85	4.39
Production capacity *(Kw)*						
Steam	**1,269,240**	1,269,240	1,269,240	1,269,240	1,269,240	1,269,240
Nuclear	**221,000**	221,000	221,000	221,000	221,000	221,000
Hydraulic	**64,786**	64,786	64,786	64,786	64,786	64,236
Combustion turbine	**239,700**	239,700	156,200	156,200	156,200	156,200
Other	**4,040**	4,040	4,040	4,040	4,040	4,040
Interest in Wis. River Power Co.	**11,667**	11,667	11,667	11,667	11,667	11,667
Total system capacity	**1,810,433**	1,810,433	1,726,933	1,726,933	1,726,933	1,726,383
Generation and purchases *(Thousands of Kwh)*						
Steam	**7,047,511**	7,004,634	6,796,975	6,731,857	6,641,716	5,443,590
Nuclear	**1,631,003**	1,572,696	1,622,279	1,512,712	1,606,898	1,569,519
Hydraulic	**292,617**	346,386	325,663	326,212	252,806	307,911
Purchases and other	**2,243,021**	1,849,047	1,628,326	1,603,161	1,368,396	649,557
Total	**11,214,152**	10,772,763	10,373,243	10,173,942	9,869,816	7,970,577
System peak - firm *(Kw)*	**1,549,000**	1,548,000	1,494,000	1,592,000	1,516,300	1,202,900
Annual load factor	**76.66%**	74.29%	74.03%	69.44%	72.61%	73.57%

GAS OPERATING STATISTICS

	1994	*1993*	*1992*	*1991*	*1990*	*1984*
Operating revenues *(Thousands)*						
Residential	**$104,020**	$110,541	$ 93,234	$ 94,274	$ 84,030	$ 97,114
Small commercial and industrial	**18,586**	20,254	15,796	15,557	13,833	17,941
Large commercial and industrial	**45,115**	47,091	33,676	34,396	31,789	121,721
Other	**25,258**	9,490	14,471	7,995	10,416	1,995
Total	**$192,979**	$187,376	$157,177	$152,222	$140,068	$238,771
Therms delivered *(Thousands)*						
Residential	**187,355**	192,053	182,603	184,042	169,406	165,808
Small commercial and industrial	**38,568**	41,385	38,060	36,743	33,301	35,168
Large commercial and industrial	**115,939**	108,068	88,516	87,506	82,496	267,951
Other	**56,961**	6,337	3,718	5,414	5,729	1,985
Total therm sales	**398,823**	347,843	312,897	313,705	290,932	470,912
Transportation	**234,149**	220,672	232,578	228,991	215,421	–
Total	**632,972**	568,515	545,475	542,696	506,353	470,912
Customers served *(End of period)*						
Residential	**178,992**	172,902	168,349	164,392	160,956	143,229
Small commercial and industrial	**14,689**	14,571	14,248	13,635	13,084	11,301
Large commercial and industrial	**2,867**	2,508	2,178	2,360	2,388	2,491
Interdepartmental	**30**	1	1	1	1	1
Transportation customers	**117**	127	161	165	170	–
Total	**196,695**	190,109	184,937	180,553	176,599	157,022

SHAREHOLDER INQUIRIES

Shareholders having questions about their stock holdings may contact the Shareholder Services Department between the hours of 7:30 a.m. and 4:30 p.m., Central time, Monday through Friday.

Telephone: (800) 236-1551 • (414) 433-1050

SHAREHDLDER MAILING ADDRESS

Shareholder Services Department
P.O. Box 19001
Green Bay, Wisconsin 54307-9001

COMMON STOCK

The common stock of WPSR may be purchased and sold through brokerage firms and many banks. The stock is listed on the New York and Chicago Stock Exchanges. The ticker symbol is WPS.

A shareholder of record may purchase common stock through the dividend reinvestment plan described elsewhere in this section. Shares held in the dividend reinvestment plan may be sold by the agent for the plan at the direction of the shareholder, or a certificate may be requested for sale through a broker selected by the shareholder.

On December 31, 1994, WPSR had outstanding 23,896,962 shares of common stock which were owned by 25,395 holders of record.

DIVIDENDS

Cash dividends on common stock have been paid quarterly to public shareholders since 1953. WPSR expects to continue to pay cash dividends quarterly on common stock, although future dividends are dependent on earnings, capital requirements, cash flows and other financial conditions.

Payment dates for quarterly common stock dividends are the twentieth day of March, June, September and December to shareholders of record on the last business day of the month preceding the payment date.

If a dividend check is not received on the payment date, we suggest that shareholders wait approximately ten days to allow for delays in mail delivery. After that time, call our Shareholder Services Department to request a replacement check.

DIRECT DEPOSIT OF DIVIDENDS

Shareholders may have dividends deposited electronically to a checking or savings account at a financial institution. If dividends are not deposited electronically, checks are mailed to shareholders.

DIVIDEND REINVESTMENT PLAN

WPSR maintains a Dividend Reinvestment and Stock Purchase Plan that is available to shareholders of record. Shareholders who hold stock in a brokerage account, "street name," are eligible to participate in the plan through their broker. The plan also enables shareholders to make optional purchases of common stock directly through WPSR without paying brokerage commissions, fees or service charges. Optional cash payments of not less than $25, nor more than $5,000, may be made each month. A prospectus describing the plan is available from the Shareholder Services Department.

PREFERRED STOCK OF SUBSIDIARY

The preferred stock of WPSC is traded on over-the-counter markets. Dividends on the preferred stock are paid on the first day of February, May, August and November to shareholders of record on the 15th of the month preceding the payment date.

STOCK TRANSFER AGENT AND REGISTRAR

If you have questions about transferring common or preferred stock, or changing the name in which your certificates are registered, contact:

Firstar Trust Company
Investor Services
P.O. Box 2077
Milwaukee, Wisconsin 53201

Telephone: (800) 637-7549 • (414) 276-3737

FORM 10-K

After April 1, 1995, shareholders may obtain, without charge, a copy of WPSR's 1994 Form 10-K, without exhibits, as filed with the Securities and Exchange Commission, by contacting R. H. Knuth, Assistant Vice President and Secretary, at the corporate mailing address.

Shareholder Information

FINANCIAL COMMUNITY INQUIRIES

Analysts and other investment professionals should direct their inquiries to Mr. Ralph G. Baeten, Treasurer, at the corporate mailing address or by calling (414) 433-1449. It is anticipated that 1995 quarterly earnings information will be released on April 28, July 31 and October 31.

ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting will be held on Thursday, May 4, 1995, at 10:30 a.m. at the Weidner Center, 2420 Nicolet Drive, Green Bay, Wisconsin, which is on the campus of the University of Wisconsin – Green Bay.

Proxies will be requested from common stock shareholders when the notice of the meeting and proxy statement are mailed on or about March 24, 1995.

EXECUTIVE OFFICE

700 North Adams Street
Green Bay, Wisconsin 54301

Telephone: (414) 433-1598

CORPORATE MAILING ADDRESS

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Green Bay, Wisconsin 54307-9001

ANNUAL REPORT

This Annual Report is prepared primarily for the information of security holders of WPSR and is not given in connection with the sale of any security or offer to sell or buy any security.

WISCONSIN UTILITY INVESTORS

Wisconsin Utility Investors, Inc. ("WUI") is an independent, non-profit organization representing the collective voice of utility shareholders. It monitors and evaluates industry issues and trends and is a resource for its members, regulators and the public. WUI invites the participation of all utility investors. For more information, WUI can be reached as follows:

Wisconsin Utility Investors, Inc.
161 West Wisconsin Avenue
Suite 3065
Milwaukee, Wisconsin 53203

Telephone: (414) 221-3849

Common Stock Comparison

	Dividends Per Share	*High*	*Low*
1994			
1st Quarter	**$ .445**	**33⅜**	**28**
2nd Quarter	**.445**	**30¾**	**27⅜**
3rd Quarter	**.455**	**30⅜**	**27**
4th Quarter	**.455**	**28⅜**	**26¼**
Total	**$1.80**		
1993			
1st Quarter	$ .435	34¾	30⅛
2nd Quarter	.435	35⅜	32⅛
3rd Quarter	.445	36½	33¾
4th Quarter	.445	36	31¾
Total	$1.76		

BOARD OF DIRECTORS

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Oshkosh, Wisconsin
Retired Chairman, President and Chief Executive Officer
Wisconsin National Life Insurance Company

Michael S. Ariens
Brillion, Wisconsin
Chairman
Ariens Company

Richard A. Bemis
Sheboygan, Wisconsin
President
Bemis Manufacturing Company

Daniel A. Bollom
Green Bay, Wisconsin
President and Chief Executive Officer of the Company

Sister M. Lois Bush, SSM
Milwaukee, Wisconsin
President and
Chief Executive Officer
SSM – Ministry Corporation

Robert C. Gallagher
Green Bay, Wisconsin
Chairman and President
Associated Bank, Green Bay
Executive Vice President
Associated Banc-Corp.

Kathryn M. Hasselblad-Pascale
Green Bay, Wisconsin
Partner and General Manager
Hasselblad Machine Company

James L. Kemerling
Wausau, Wisconsin
Chief Executive Officer
Specialty Packaging Group

Linus M. Stoll
Green Bay, Wisconsin
Retired Chairman and
Chief Executive Officer
of the Company

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President and
Chief Executive Officer

Patrick D. Schrickel
Vice President

Robert H. Knuth
Assistant Vice President – Secretary

Ralph G. Baeten
Treasurer

Diane L. Ford
Controller

OFFICERS - WISCONSIN PUBLIC SERVICE CORPORATION

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Chief Executive Officer

Daniel P. Bittner
Senior Vice President
Customer Service

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Jelmer G. Swoboda
Senior Vice President
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Assistant Vice President
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Glen R. Schwalbach
Assistant Vice President
Gas Engineering and Supply

Ralph G. Baeten
Treasurer

Diane L. Ford
Controller

Francis J. Kicsar
Assistant Secretary

LEADERSHIP STAFF

William L. Bourbonnais, Jr.
Manager – Rates and Economic Evaluation

James L. Dobratz
Manager – Pulliam Plant

Kenneth H. Evers
Manager – Nuclear Plant Support Services

Ronald K. Grosse
Manager – Customer Accounts

Charles K. Heidemann
Manager – Western Region

Richard C. Johnsen
Site Leader

Bradley A. Johnson
Corporate Planning Executive

Randall G. Johnson
Manager – Quality Implementation

Paul J. Liegeois
Manager – Retail Marketing

Dennis J. Maki
Manager – Weston Plant

Mark L. Marchi
Manager – Kewaunee Plant

Thomas P. Meinz
Senior Corporate Planning Executive

Phillip M. Mikulsky
Manager – System Operations

Dale N. Miller
Manager – Eastern Region

Gerald L. Mroczkowski
Manager – Fossil Operations

Edward N. Newman
Director – Environmental Services

Jack C. Rasmussen
Manager – Purchasing and Stores

Daniel J. Ropson
Manager – Engineering and Technical Support

John E. Ruppenthal
Division Manager

Walter G. Sandberg
Manager – Public Affairs

Charles A. Schrock
Manager – Nuclear Engineering

Walter T. Shier
Division Manager

Peter J. Van Beek
Manager – Central Region

Walter A. White
Manager – Power Plant Design and Construction

All Directors of WPS RESOURCES CORPORATION are also Directors of WISCONSIN PUBLIC SERVICE CORPORATION.

All leadership staff members are employees of WISCONSIN PUBLIC SERVICE CORPORATION.

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