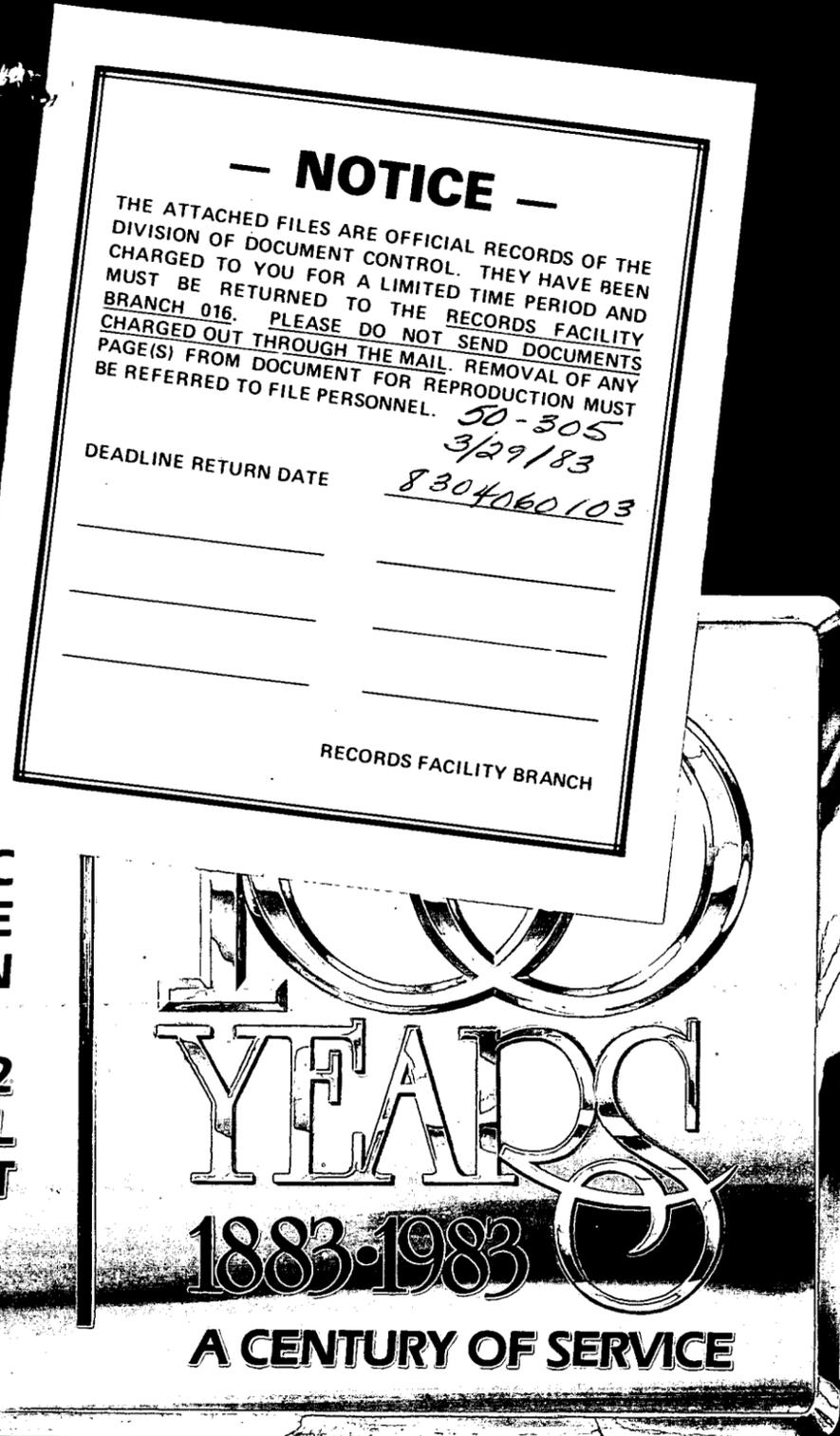


**WISCONSIN
PUBLIC
SERVICE
CORPORATION**

**1982
ANNUAL
REPORT**



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YEARS
1883-1983**

A CENTURY OF SERVICE

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Wisconsin Public Service Corporation traces its beginnings to many small enterprises of yesteryear, such as sawmills, coal gas plants and street trolley systems. From a corporate standpoint, it began as the Oshkosh Gas Light Company in 1883. The present name was established in 1922 with incorporation by the State of Wisconsin.

Today, Wisconsin Public Service Corporation is among the state's largest electric and gas utilities. Its service area covers 19 counties and 10,000 square miles in northeastern Wisconsin and part of Michigan's Upper Peninsula, with about 330,000 residential, commercial and industrial customers.

We grew over the years combining 40 electric and gas systems. Most of our western service territory, for example, was annexed in 1933 when the company merged with Wisconsin Valley Electric, based in Wausau. Although that section has been with Public Service only 50 years, its roots, too, date back to 1883 when the Leahy and Beebe Lumber Mill began furnishing electricity to Wausau.

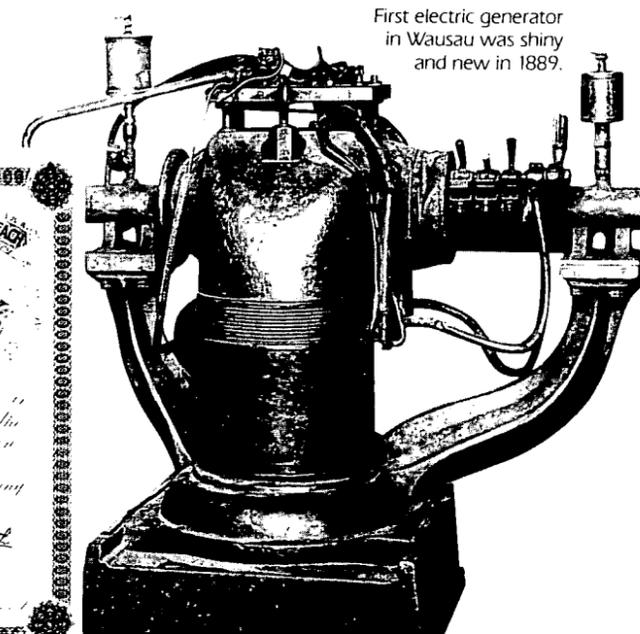
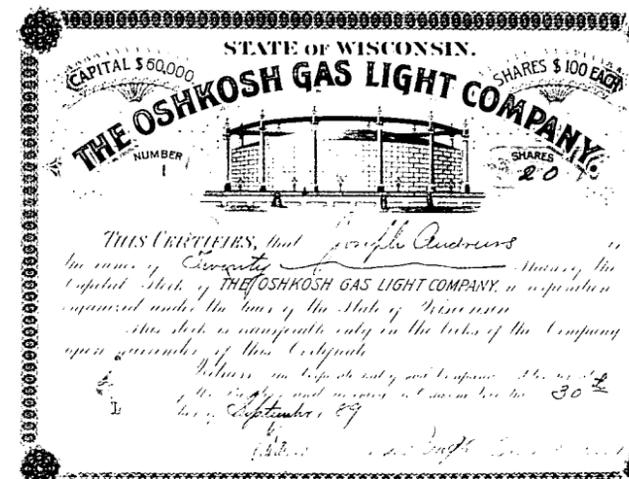
In the early 1880s, however, electricity wasn't an immediate success with homeowners. Only about 10 years earlier they had been introduced to the use of coal gas to

light the lamps in their homes, and Thomas Edison's light bulb was just a few years old. But though the transition to electricity in the home took place slowly, streetcar companies sprang up and quickly adopted electricity as their main source of power, displacing the horse and eventually giving way in turn to modern bus systems. Public Service divested itself of its transportation business by the mid-1970s, after expenses outpaced revenues. In the early decades of this century, trackless trolleys and streetcars shared their heyday with hydroelectric power.

Initially, hydro provided power for sawmills, grist mills and woolen mills. Typically, a small hydro plant produced electricity for the owner of the mill and probably a few of his close neighbors, but soon these mills extended their service.

Dependence upon hydro plants as a primary source of electricity for our company had peaked by 1910. That year the new High Falls plant began producing all the electricity needed for the entire city of Green Bay. The last hydro plant constructed by the company began operating in 1934.

Stock certificate Number 1.



First electric generator in Wausau was shiny and new in 1889.

The growth in industrial and residential use of electricity quickly outpaced the generation capabilities of hydro. By 1917 the company's first coal-fired power plant had been built in Manitowoc to supply power for World War I shipbuilders.

In 1927, the first two units of the Bayside power plant in Green Bay went into service. Those original units have since been retired, and the plant is now a six-unit facility renamed the Pulliam plant.

The first coal-fired plant in the western part of our service territory began operation in 1954, with two additional units placed in service in 1960 and 1981.

The late 1960s marked the beginning of joint ownership of generating facilities with other utilities. Pooling our resources has provided financial benefits because it is more economical to build and operate large generating units than small, separately owned ones.

A major milestone was reached when we adopted the newest generating technology available and entered the age of nuclear power with the start-up of the Kewaunee

plant in 1974. Since then, it has continued to be a source of pride for our company, and is one of the five most consistently reliable nuclear plants in the U.S.

Hydro, which at one time was the primary source of our electric production, now provides only about 5%. Coal-fired power plants currently generate about 70% of the electricity we produce, and the remainder comes from the Kewaunee nuclear plant.

Our residential customers paid an average of 7.14 cents per kilowatt-hour in 1932, and in 1982 the comparable charge was 6.66 cents. Despite concern about the cost of electric energy, it is a smaller portion of the family budget today, based on kilowatt-hour cost, than it was 50 years ago.

As in the fields of electricity and transportation, the company's history of providing gas also dates back a century.

About 1870, gas manufactured from coal was being used as a source of light for homes. Coal gas plants were easily identifiable by their huge gas holders, whose sides would rise and fall with the supply of gas inside.

With the advantages natural gas offered over manufactured gas, Public Service management decided it was the way of the future and began planning for it. By 1950, natural gas service had made its way to our territory. The Korean Conflict of 1951, however, caused almost immediate restrictions on the supply of metal pipe needed for pipelines. Following that conflict, the number of new customers skyrocketed, and the 1950s and 1960s were marked by tremendous growth in the company's natural gas system.

The energy crisis of 1973 and 1974 turned the tables on most types of fuel, including natural gas. In 1950, there weren't enough pipelines for the gas; in 1975 there wasn't enough gas for the pipelines. This sudden change, along with rising prices, brought about a massive wave of energy conservation by all classes of customers and a switch to alternate fuels, primarily by industrial customers.

Now, again of gas... ration... industry... the industry... hold of a new... servation and... It is more impo... our energy sou... and conservat...

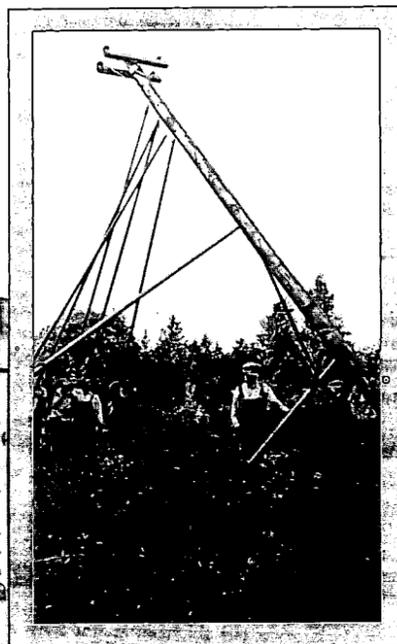
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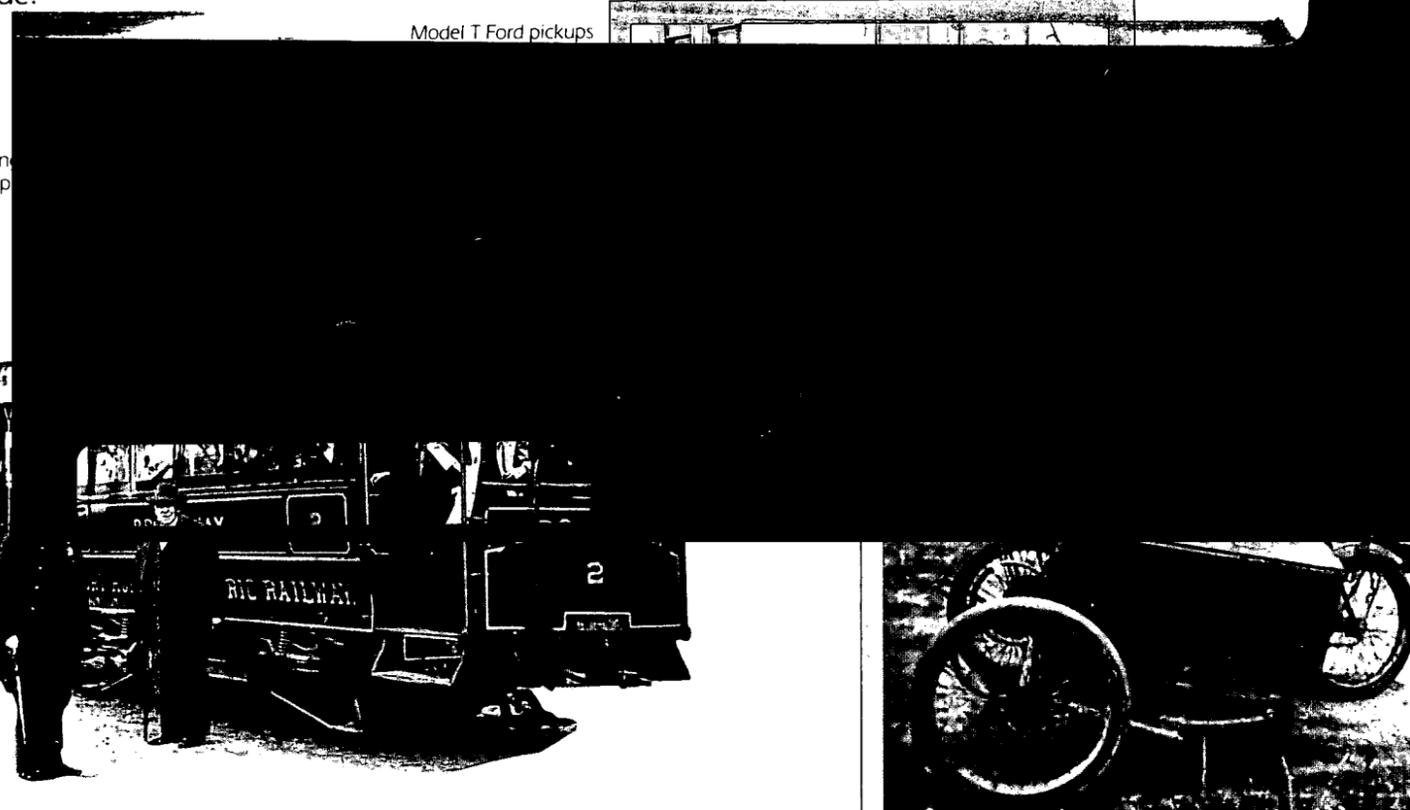
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Model T Ford pickups

Early home appliance exhibit shows off newest conveniences.



Power pole setting took lots of manp



1982 Report

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Business

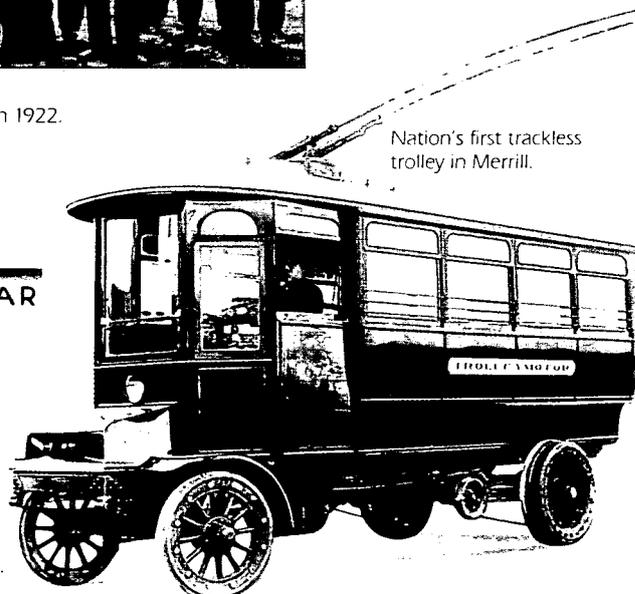
WISCONSIN PUBLIC SERVICE CORPORATION is an investor-owned electric and gas utility serving northeastern Wisconsin and an adjacent part of Upper Michigan.

Operating Highlights

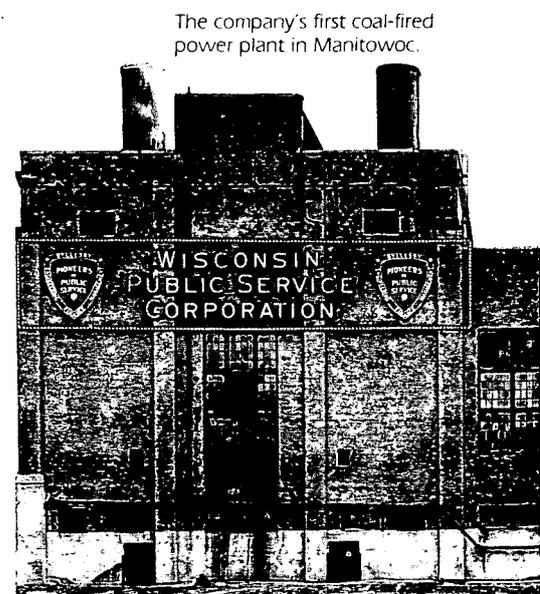
	1982	1981	Change
Revenues			
(Thousands)	\$584,447	\$492,262	18.7%
Net Income			
(Thousands)	41,907	39,082	7.2
Earnings Per Average			
Share of			
Common Stock	3.14	3.00	4.7
Dividends Paid			
Per Share	2.04	1.89	7.9
Book Value			
Per Share	23.72	22.38	6.0
Construction			
Expenditures			
(Thousands)	72,036	114,130	- 36.9
Capitalization			
(Thousands)	584,336	602,811	- 3.1
Electric			
Customers	288,970	285,738	1.1
Electric Sales (Kwh)			
(Thousands)	6,809,880	6,794,926	.2
Gas Customers	153,141	151,898	.8
Gas Sales (Therms)			
(Thousands)	482,490	484,993	- .5



Executives tour Caldron Falls hydro station in 1922.



Nation's first trackless trolley in Merrill.



The company's first coal-fired power plant in Manitowoc.



To Our Shareholders:

A Tribute

It has been a century since our company began, and progress in our industry has kept us changing with the times. However, one thing constant at Public Service is the quality and dedication of our employees.

It is these people and their 100 years of predecessors whom we salute as we look back on 1982 and ahead to the next century.

Earnings and Dividends

In spite of a slackening economy, our earnings per share for the year 1982 were \$3.14 as compared with \$3.00 in 1981. The return on average equity was 13.9%.

The adverse economy was evident as our firm electric sales and gas sales showed no growth last year. We are seeing the effect of competition by other fuels as residual oil and coal are now cheaper than gas for certain industrial use.

We raised the quarterly dividend from 49 cents to 53 cents effective with the September 1982 payment. That marked the 24th consecutive year in which the dividends paid per share had been increased.

Generation

Completion in 1981 of our newest coal-fired power plant, Weston 3, located near Wausau, Wisconsin, spelled an end to major construction expenditures for the next several years. Final cost of that plant was about \$229 million, \$11 million under budget; and it began generating three months ahead of schedule. We expect that several modifications currently under way will improve its first-year availability record of 72%.

The Kewaunee nuclear plant had another excellent operating record in 1982, with a continuous run of 306 days before being shut down for its annual refueling and maintenance. Only six other plants in the world have had this record or better. Since it started commercial operation in 1974, the plant's availability has been 83.4% as compared with an industry average of 68.8%.

Overall, the safety performance at the Kewaunee nuclear plant earned it a 1982 commendation after the Nuclear Regulatory Commission's (NRC) Systematic Assessment of Licensee Performance inspection.

Forecast of Future Sales, Construction and Financing

Our most recent forecast indicates that for the 10-year period through 1992 our annual kilowatt-hour firm sales growth will be about 4.3%. We also expect that our peak load growth will average about 3.4% annually. This forecast is about 10% less than the forecast made last year. We also expect that our annual system load factor for the next 10 years will increase to about 81%. In 1982 it was 74.9%.

With the completion of Weston 3 and the reduced sales forecast, it appears that our next generating station won't be needed until the mid-1990s. Accordingly, our construction program for the five-year period 1983-87, inclusive, will be \$355 million as compared with \$452 million for the previous five-years. Except for continuing to issue common stock through existing plans, we will not need to sell any new securities during that time. We will be in the fortunate position of being able to meet substantially all of our financial needs through internally-generated funds.

Our gas business, which contributed about 10.2% of our operating income in 1982, is forecasted to show declining sales over the next 10 years, due primarily to conservation and the use of other fuels by our large industrial gas customers. Inasmuch as the cost of gas purchased from our pipeline supplier comprises 88% of gas operating expenses, future sales depend on how high our pipeline supplier and the producers set the price.

Wise Use of Energy

We continue to encourage conservation and use of electricity and gas in a manner most beneficial to the customer. Energy audits, public information seminars and load management techniques are all designed to accomplish the wise use of our products.

Legislative and Legal Developments

In late December 1982, after nearly a decade of effort by the utility industry, the 97th Congress passed the Nuclear Waste Policy Act of 1982. It directs the President to recommend to Congress a final site for a waste repository by April 1987. If the designated state objects to the proposed site, the objection would stand unless both houses of Congress vote to override the objection. By its action, Congress made a constructive move toward the continued availability of reliable nuclear-generated electricity in this country.

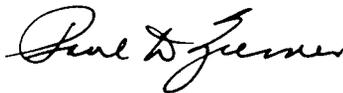
In a November 1982 decision, the Wisconsin Supreme Court ruled in the company's favor after it considered our appeal of the manner in which we could write off certain site selection costs for the abandoned Koshkonong nuclear plant project.

Originally, the Public Service Commission of Wisconsin (PSCW) decided that these expenses should be borne by the shareholders even though they were considered prudent and reasonable. The Supreme Court ordered that these expenses be distributed among customers in a manner that would not be burdensome to them. Consequently, the PSCW has allowed the company to record in 1982 as earnings these expenses to be recovered from its customers. Hearings were held this past January to ascertain the method of recovery.

Diversification is being pursued by a number of utilities in this country as a possible avenue to increase earnings to shareholders. At the present time the Wisconsin Legislature is developing legislation which would establish the legal parameters for the creation of utility holding companies. Consequently, we are not pursuing this subject very actively until we find out what the statutes will be. However, we continue to develop business activities which complement our utility operations.

Centennial

Milestones are part of progress and as 1983 dawned our company reached one of its most significant milestones — its 100th anniversary. Life and times have changed during the past 10 decades, and so has our company. We plan to keep changing so as to continue to be part of the progress that has made this country a wonderful place in which to live. What will not change is our commitment and dedication to our shareholders, customers and employees.



Paul D. Ziemer
President and
Chief Executive Officer

February 28, 1983



President's Letter



Review of the Year

Financial

The \$72 million of construction requirements and reduction of \$900,000 in short-term debt in 1982 came from internally generated funds and the sale of common stock for \$6.8 million. The stock was sold through the Automatic Dividend Reinvestment and Stock Purchase Plan and the Employees' Tax Reduction Act Stock Ownership Plan and Trust (TRASOP). Other than the sale of stock through the two plans, no outside financing is anticipated until 1984 when \$23 million of tax-exempt bonds will be refunded.

The PSCW completed generic hearings in 1982 regarding accounting for costs of decommissioning the Kewaunee nuclear plant. It ordered that the company continue collecting the cost from customers during the life of the plant.

Rate Proceedings

In response to an application filed with the PSCW in July 1981, increases of \$30.3 million (10.6%) for electricity and \$3.3 million (1.5%) for gas were effective with billings beginning in May 1982.

A \$9.4 million wholesale electric rate increase became effective January 3, 1982. The rate request with the Federal Energy Regulatory Commission (FERC) had been \$11.7 million.

After initial filings of \$14.6 million and \$5.6 million for electricity and gas, respectively, with the PSCW in July 1982, a supplemental request raised the levels to \$23.1 million (7.4%) for electricity and \$7.6 million (3.1%) for gas. Hearings have concluded and a decision is expected in the near future.

In December 1982, the company requested an electric rate increase of \$2 million (28.8%) and a gas rate increase of \$330,000 (6.3%) in Michigan.

Operations there contribute 2% of total revenues. The last application for an increase in that state was made in 1979.

Electric System

At a cost of \$3.5 million, a second 345/115 kilovolt transformer was installed at our Rocky Run substation about 35 miles south of our Weston 3 plant, and a 27-mile section of a major transmission line in our Rhinelander division is being upgraded. These projects will help prevent system overloads, thus increasing reliability to our customers.

Work continued on the new Energy Management System (EMS). It will make the latest computer technology available to control all steam, hydro and peaking power plants, gas gate stations and about 100 substations. Completion of the installation is scheduled for 1984.

On February 9, 1982, the peak demand was 1,101,000 kilowatts. For the first time in 40 years a previous calendar year system record was not exceeded. This is primarily attributable to the slow economy.

In 1982, purchasing power from other utilities when it was less expensive than producing our own saved our customers \$2.3 million.

Current forecasts include construction of a coal-fired power plant and a new 345 kilovolt transmission line in the 1990s. The company is also participating in studies of purchasing hydropower from Manitoba, Canada.

Fuel Costs

Nuclear energy again proved to be our most economical source of power, followed by coal, natural gas and fuel oil, respectively. Costs per million Btu in 1982 were \$.99 for nuclear fuel, \$1.88 for coal, \$3.73 for natural gas and \$6.79 for fuel oil. This compares with 1981 costs of \$.60 for nuclear fuel, \$1.61 for coal, \$3.55 for natural gas and \$6.53 for fuel oil. The increase in nuclear fuel is mainly the result of being required to provide more funds than formerly anticipated to pay for permanent storage of spent fuel.

Similar to 1981, our primary 1982 generation mix was: 63.3% coal, 21.4% nuclear and 4.4% hydroelectric. We also purchased 10.4% from other utilities and derived .5% from natural gas and fuel oil.

Coal Power

Coal is our primary fuel until the nuclear moratorium in Wisconsin is terminated. Therefore, coal prices and transportation costs are a constant concern.

Though an abundant U.S. fuel resource, much of the coal must be transported to our plants long distances by rail. In 1982, 43% of our total coal cost was for rail transportation. That's twice the level of 10 years ago.

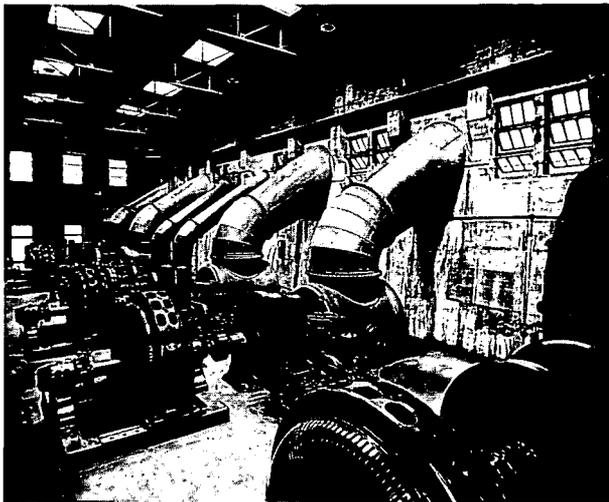
In an attempt to limit transportation price increases, the company has challenged rail rates before the Interstate Commerce Commission. At year-end, four cases were still pending.

Three others were withdrawn after the company secured lower coal freight costs by establishing competitive barge shipment capability.

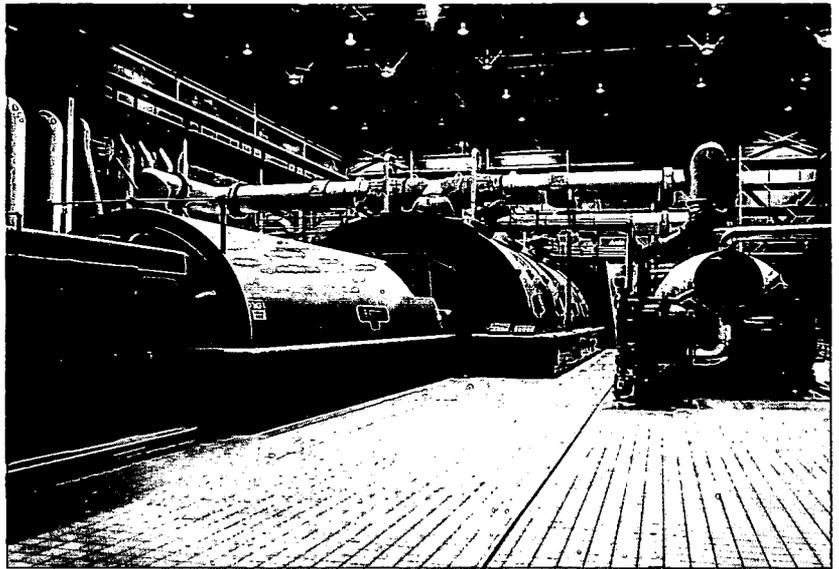
Nuclear Power

The NRC rated the Kewaunee plant "better than average" for its Emergency Preparedness Plan tested in February 1982. The NRC requires every U.S. nuclear plant to have a comprehensive emergency plan developed and demonstrated.

Major 1982 plant projects included: completion of the high radiation sample room in the newly completed Auxiliary Building; receipt of instruments for the



Water from the Peshtigo River is channeled to generators in the 7,000 kilowatt High Falls hydroelectric station, above. The 535,000 kilowatt generator at the Kewaunee nuclear plant, right, offers a striking contrast.



The bookkeeping methods of this turn-of-the-century office, below, are contrasted with high speed accounting terminals seen here in the Green Bay office.



The grace of days gone by is clear in the design of the original corporation headquarters, in Milwaukee, above. In 1970, after almost a half-century of service, a move was made to Green Bay into a newly completed office complex, expanded by an annex in 1983.



Review of the Year

Technical Support Center completed in 1981; groundbreaking for the building which will house a new simulator which completely duplicates the control room for required training purposes; and completion of a meteorological tower which constantly monitors weather conditions near the plant.

Along with plant modifications, very significant personnel additions were made during the year mainly attributable to NRC requirements.

In October, company personnel discovered the inadvertent capping of two instrument lines used to sense pressure in the plant's containment building. The NRC was notified of the problem.

The company became a member of Nuclear Electric Insurance Limited (NEIL) to reduce purchased power costs in the unlikely event of a long-term accidental outage at the Kewaunee plant. NEIL is composed of a group of electric utilities owning nuclear generating facilities.

In addition, to comply with NRC requirements, we increased our property insurance coverage at the plant for physical damage and decontamination costs.

Mining of uranium by our subsidiary to provide fuel for the Kewaunee plant continues at a reduced level allowing the company to take advantage of the reduced prices in the open market.

Hydroelectric Power

Work is continuing on the \$2.1 million rebuilding of a 120-foot section of the dam at the Grandfather Falls hydroelectric station. It is expected that the project will be completed in 1983.

Turbine improvements are also being made at two other hydro stations, Merrill and Hat Rapids. All three plants are on the Wisconsin River. A 1,500 kilowatt generator will be added at Merrill in 1983 at a cost of about \$2.7 million. Two rebuilt turbine-generators will be installed at Hat Rapids.

Natural Gas

Natural gas supply and prices have been two important issues this past year.

Conservation by all classes of customers and switching to alternate fuels by many of our major industrial customers are the main reasons for our gas sales being down .5% in 1982 and for a predicted 19% decline in sales through 1992. This experience by our company is also occurring nationwide resulting in the continuation of a gas glut which began in 1981.

Although gas prices were up 15% in 1982, our gas supplier anticipates that future increases will be less than those of recent years.

The transition to deregulation of gas prices is largely

responsible for increases our supplier has been charging us and we, in turn, charge our customers.

For home heating in our area, gas is cheaper than oil, electricity or propane. To keep gas prices competitive with other fuels, the company actively participates in every pipeline rate increase proceeding before the FERC.

A major new industrial customer, the GAF Corporation, producers of roofing granules, has been added to our system. This important new load represents 1% of our total annual gas sales and will provide about \$2 million in annual revenues. The plant is one of our 10 largest customers.

Research and Development

In 1982, the company continued its support of 1,400 industrial research projects conducted by the Electric Power Research Institute (EPRI). This year's contribution was \$1 million.

EPRI spent 44% of its budget on research aimed at improving fossil fuel and nuclear-powered generating systems. Other projects researched the environmental and health effects of electric generation and transmission, and improving the performance of transmission and distribution systems.

In-house personnel directed development of two improvements at the Kewaunee plant. One is an ultrasonic testing examination to detect tiny cracks in the turbine blade attachment area. This reduces the cost of required inspections. The other is the replacement of copper tubing with stainless steel tubing in part of the main steam system to improve reliability.

A compressed natural gas system, which will be used to fuel 39 company vehicles, is being developed to demonstrate additional uses of natural gas.

Environment

To meet environmental standards and protect increasing numbers of game fish found near our Pulliam plant in Green Bay, company engineers designed a \$600,000 fish barrier net system. Mechanically operated nets at the plant's two water intake canals prevent fish from entering the cooling water system.

The company announced plans to lower the amount of sulfur dioxide emissions from coal burned at the Pulliam plant. Long-term contracts for lower sulfur coal have already been signed.

In addition, with the approval of the PSCW and the State Department of Natural Resources (DNR), the company plans to build a 500-foot stack costing \$17 million to replace the six chimneys currently in service. The higher stack will diffuse emissions more effectively.

Application has been made to the DNR for approval

of a new fly ash disposal site for Pulliam. Fly ash is the residue remaining from the burning of coal. The company has also taken steps to extend the life of the existing disposal site for the plant.

On the other hand, practically all of the Weston 3 fly ash has been sold as an additive in making concrete. Continued sales are expected in future years.

The company's ongoing acid rain study in northern Wisconsin shows that acid rain has had no impact on the watersheds being studied. Soils once thought to be unable to naturally reduce the acidity of rain are proving to be good acid-reducers. The study will be completed in 1983.

Conservation and Load Management

Conserving energy and efficiently managing our electric and gas loads are a constant concern.

Residential customers took advantage of the Home Energy Analysis Program. During 1982, the program's first full year, company personnel visited 16,000 homes and provided customers with energy savings advice.

Additionally, 1,500 commercial and 110 major industrial customers had comprehensive analyses. Twenty-eight of our commercial and industrial customers received awards in 1982 for special achievements in energy conservation.

A pilot program to assist low-income customers in two of the largest counties we serve will provide grants of up to \$2,500 to weatherize homes of qualifying families.

New homes featuring innovative energy-saving heating and cooling systems were promoted through a series of 10 open houses that drew some 10,000 people.

A dozen large electric customers with interruptible load equal to 10% of the system peak demands and 14 large natural gas customers are served on interruptible rates.

All commercial, industrial and wholesale customers using 200 kilowatts or more per month are on time-of-use rates. They represent more than half of the company's electric sales.

Interruptible and time-of-use programs have enabled the company to increase its annual electric load factor to 74.9%, second-highest ranking among the 100 largest utilities in the U.S.

Customer Service

The economy and steadily increasing energy costs have created additional pressures on many families' budgets. In an attempt to help customers, the company initiated its AID program (Assistance-Information-Direction). AID brings together all customer assistance

programs. Customers were notified through advertising, customer bill inserts and meetings with government and volunteer service groups.

AID has become an effective way to help many financially strapped customers pay past-due accounts and budget more effectively for future expenses.

"Gift of energy" gift certificates, introduced this past Christmas, were well received.

Public Awareness

Dr. Dixy Lee Ray, former U.S. Atomic Energy Commission chairman, and three local speakers attracted women opinion leaders to conferences we sponsored in Green Bay and Wausau.

These two seminars provided attendees with the latest information about energy issues and the opportunity to ask questions of industry professionals.

Low-level radioactive waste was the focus of two seminars we jointly sponsored with the medical community. They attracted some 200 members of the media, industry and government.

A panel of speakers from the company, the medical community and government gave the audiences the latest information about low-level waste disposal, current disposal sites and what might be expected if Wisconsin is selected as a disposal area.

To provide a variety of speakers and topics year-round, the company began its first speakers bureau. The speeches are geared for civic and service groups and are given by employees volunteering their personal time.

Economic Growth

To keep business and industry aware of the many industrial and commercial sites available in our territory, the company continued its wholehearted support of the PRIDE program. PRIDE, or Partners in Regional Industrial Development, is coordinated by our company with about 75 municipalities and businesses in our territory.

In 1982 the PRIDE program's direct mail advertising program was cited by the Edison Electric Institute as the best in the utility industry.

Management Changes

The death of Harold Van Groll, senior vice president-operations and member of the board of directors, in early 1982 resulted in several changes in company management.

Senior Vice President-Administration Linus Stoll was named the new senior vice president-operations.

Eugene Mathews was named to the board of directors to fill the vacancy created by Mr. Van Groll's death. Mr. Mathews is senior vice president-power



Review of the Year

supply and engineering.

Four executives were promoted to newly created positions. Daniel Bollom, treasurer, was named vice president-treasurer; Carl Giesler, manager nuclear power, was named vice president-nuclear power; John Henderson, manager division operations, was named vice president-division operations; and Robert Valesano, personnel director, was named assistant vice president-personnel.

Common Stock and Related Security Holder Matters

The quarterly dividend on our common stock was raised from 49 cents a share to 53 cents a share effective with the September payment. It is a goal of the company to maintain a record of continuous years of increased annual dividends. Based on the company's earnings levels and capitalization, there currently are no restrictions on the ability to pay dividends.

As of December 31, 1982, there were 34,803 record holders of common stock.

In September, 104,156 shares of common stock were issued to the TRASOP. The average price per share was \$22.125 resulting in the receipt by the company of about \$2.3 million.

The company has an Automatic Dividend Reinvestment and Stock Purchase Plan for its common stock shareholders which allows the purchase of additional shares of common stock directly from the company. During 1982, an average of 5,800 shareholders participated purchasing 223,189 shares. The Economic Recovery Tax Act of 1981, under which the company qualifies, enables shareholders to defer federal income tax on dividends reinvested in common stock beginning January 1, 1982. Under the Act, shareholders may elect to exclude from taxable income \$750 per year (\$1,500 on a joint tax return) of qualifying utilities' dividends reinvested in original issue common stock during the years 1982 through 1985.

As required by the sinking fund provision of the issue, the company redeemed 7,500 shares of its 10.50% preferred stock by purchasing them in the open market.

During the year, representatives of Wisconsin Utility Investors, Inc. (WUI), an independent, non-profit organization which was founded in 1980 to speak out on issues of concern to its members, appeared at many regulatory and legislative hearings around the state and in Madison.

To continue its work, WUI needs the active support of investors. For information write: Wisconsin Utility Investors, Inc., P.O. Box 654, Milwaukee, WI 53201.

Common Stock

Listed on New York and Midwest Stock Exchanges. Ticker Symbol: WPS. Transfer Agent and Registrar: First Wisconsin Trust Company, Milwaukee.

Share Data	Dividends Per Share	Price Range
1981		
1st Quarter	\$.455	16 $\frac{3}{8}$ 14 $\frac{1}{4}$
2nd Quarter	.455	18 $\frac{3}{4}$ 14 $\frac{1}{8}$
3rd Quarter	.49	19 $\frac{1}{4}$ 16 $\frac{1}{4}$
4th Quarter	.49	20 $\frac{1}{2}$ 17 $\frac{1}{2}$
Total	\$1.89	
1982		
1st Quarter	\$.49	20 $\frac{3}{8}$ 17 $\frac{1}{4}$
2nd Quarter	.49	22 $\frac{3}{8}$ 19 $\frac{1}{8}$
3rd Quarter	.53	22 $\frac{3}{8}$ 19 $\frac{1}{8}$
4th Quarter	.53	25 $\frac{1}{4}$ 21 $\frac{1}{2}$
Total	\$2.04	

Executive Office

700 North Adams Street, P.O. Box 700, Green Bay, Wisconsin 54305. Telephone (414) 433-1598 for general information.

Annual Shareholders' Meeting

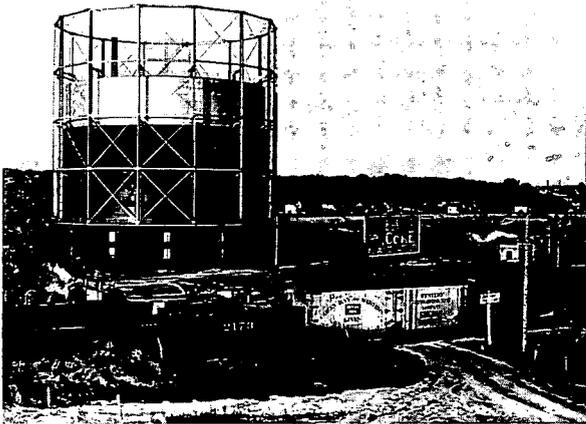
Midway Motor Lodge, 780 Packer Drive, Green Bay, Wisconsin, Thursday, May 5, 1983, at 10:30 A.M.

Annual SEC Report Form 10-K

This report (not including exhibits thereto) will be available without charge about April 1, 1983 to shareholders who make requests to Robert H. Knuth, Secretary, 700 North Adams Street, P.O. Box 700, Green Bay, Wisconsin 54305.

Preferred Stock

Over-the-counter markets. Transfer Agent and Registrar: First Wisconsin Trust Company, Milwaukee.



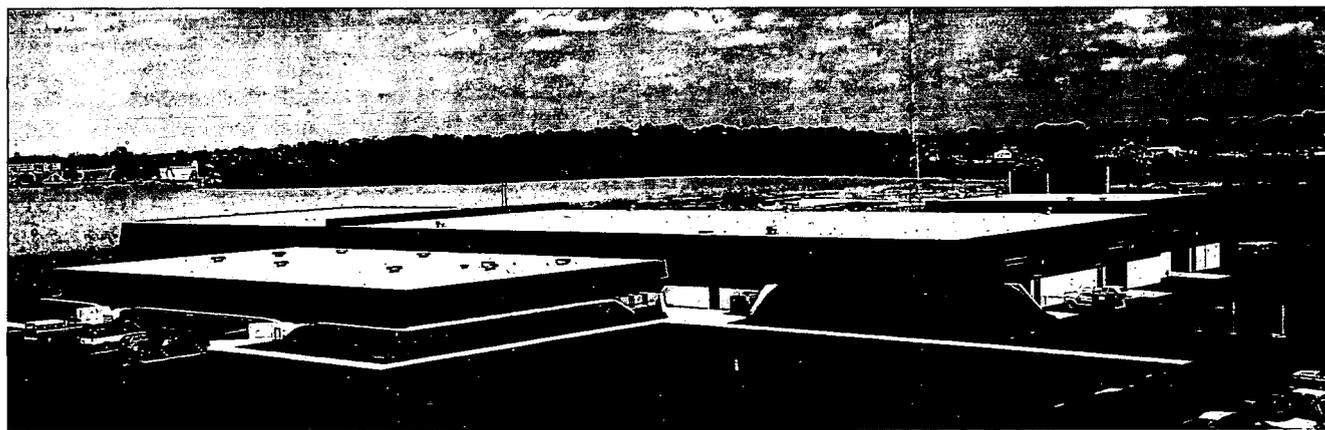
A cylindrical coal gas holder, left, was once a landmark of the manufactured gas industry. Coal gas was phased out when natural gas reached our territory. Gas "turn on" ceremonies, lower left, highlighted each new step of expansion of service in our territory.

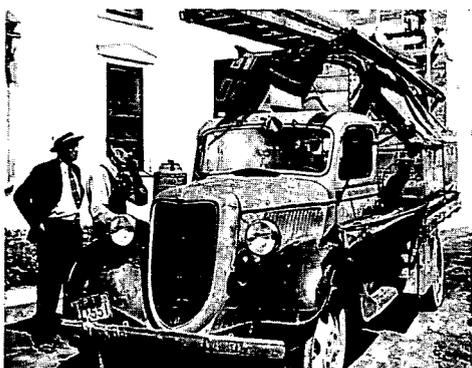


Reading meters in the 1930s, top, didn't seem much different from the same job in the 1980s, above. But old handwritten forms have given way to portable data recorders that can be hooked up to a computer for same-day customer account posting.

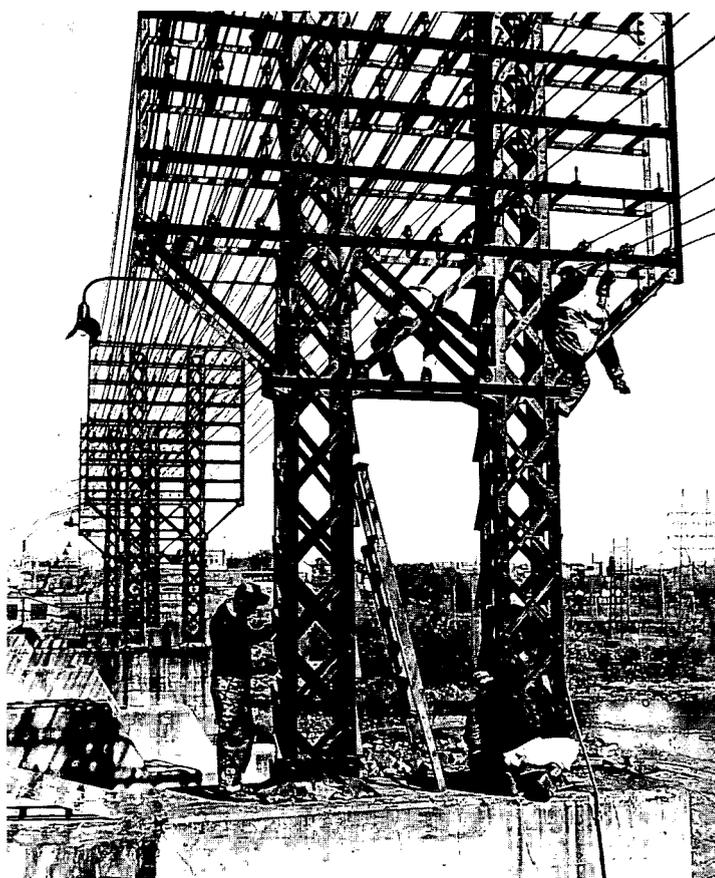


Our 1883 structures in Oshkosh, left, contrast with the modern style of the present Oshkosh division headquarters.

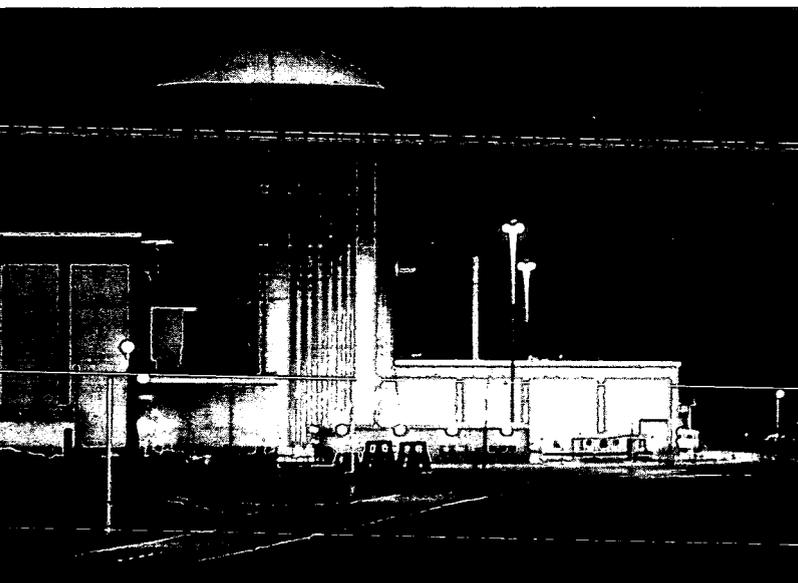
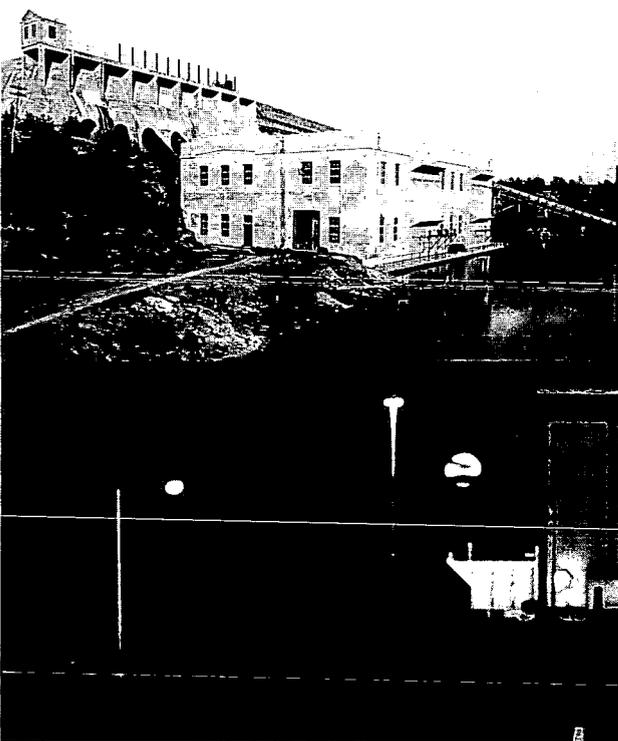




During the 1940s, electric line maintenance trucks primarily carried a four- to eight-member crew, wooden ladders and hand tools. Today's line trucks, however, carry a two-member crew, the latest safety devices and hydraulically operated equipment.



Early electric lines often seemed to be a nightmarish maze of cable and superstructure, above. Innovations and technology have brought about comparatively simple-looking high capacity transmission lines, right.



The High Falls hydroelectric station, inset above, was once the primary source of electricity for the company. Today, the Kewaunee plant, above, generates electricity using nuclear energy.



Management's Discussion and Analysis

Trends

After adjusting for weather, residential kilowatt-hour sales in 1982 increased approximately 1% over 1981. In the years prior to high mortgage rates, the company experienced 6,000 to 7,000 residential customer additions annually. In more recent years, residential customer growth has declined with only 2,500 added in 1982 and 3,900 in 1981.

After adjusting for weather, small commercial and industrial kilowatt-hour sales remained the same in 1982 as compared to 1981. Kilowatt-hour sales to large commercial and industrial customers declined by approximately 3% in 1982 from 1981 due to the adverse economic conditions in the company's service territory which caused many large industrial customers to reduce production through reduced working hours, employee layoffs, and elimination of shift work.

Sales of natural gas indicated the continuation of conservation efforts by the company's customers. After adjusting for weather, residential therm sales in 1982 were approximately 4% less than in 1981. Residential customer additions continued to show the effects of slow housing construction in the company's service territory. In the years prior to high mortgage interest rates, the company experienced approximately 3,000 customer additions annually. In 1982, 1,100 customers were added while 1,700 customers were added in 1981.

After adjusting for weather, commercial and industrial therm sales in 1982 decreased approximately 7% from 1981. In addition to conservation, the decline in sales can be attributed to continuing adverse economic conditions and the increasing cost of natural gas which has resulted in a number of firm customers switching to alternate sources of fuel.

Results of Operations

In accordance with established regulatory procedures, increases in the cost of electric production fuels and gas purchased for resale resulting from supplier price increases are recovered through the operation of the company's automatic fuel adjustment and purchased gas adjustment clauses (AFAC and PGAC).

1982 Compared to 1981. Electric Operating Revenues increased 21% to \$355.8 million in 1982 primarily as a result of increased AFAC revenues, Wisconsin retail rate increases received in May 1982 and June 1981 and new rates put into effect for wholesale customers in January 1982.

Gas Operating Revenues increased 16% to \$228.7 million in 1982 primarily due to increased PGAC revenues

and Wisconsin retail rate increases received in May 1982 and June 1981.

Operating Expenses increased \$79.9 million or 18% in 1982. Electric Production Fuels increased significantly due to higher costs for coal and nuclear fuel and more generation. Gas Purchased for Resale increased due to price increases passed on by the company's pipeline supplier. The total income tax provision increased due to a higher pretax operating income. The lower Investment Credit Deferral was primarily due to Weston 3 being placed in service in December 1981 and less investment credit earned on nuclear fuel in 1982. Other Operation Expenses increased because of higher electric operating costs related to the addition of Weston 3, higher nuclear operating costs and a full year's amortization of previously deferred precertification costs. Other Operation Expenses were also higher due to increased conservation activities and administrative costs. Straight-line Depreciation Expense was higher in 1982 primarily due to the addition of Weston 3. Partially offsetting this increase in Operating Expenses was a decrease in Purchased Power due to less energy and capacity purchases and more capacity sales in 1982 caused by the addition of Weston 3.

Total Interest Expense increased \$8.8 million or 45% in 1982 primarily because less allowance for funds used during construction (AFUDC) was recorded in 1982 due to lower balances in construction work in progress. The debt portion of AFUDC is recorded as a credit to interest expense and, therefore, lowers the amount reported as total interest expense.

1981 Compared to 1980. Electric Operating Revenues increased 12% to \$294.5 million in 1981 primarily as a result of increased AFAC revenues, a 13.1% rate increase effective June 1981 and an increase in the number of electric customers.

Gas Operating Revenues increased 15% to \$197.8 million in 1981 primarily as a result of increased PGAC revenues. The increase was partially offset by conservation and decreased consumption due to fewer heating degree days in 1981.

Operating Expenses increased \$50.1 million or 13% in 1981. Gas Purchased for Resale increased significantly due to continued price increases passed on by the company's pipeline supplier despite the fact that the company purchased less gas in 1981 than in 1980. Purchased Power Costs increased due to the availability of energy which was cheaper to buy than to generate from the company's higher cost units. Other Operation Expenses also increased because of higher payroll and general operating costs, especially at the Kewaunee



nuclear plant because of changes made as a result of the TMI incident.

Interest Expense increased \$2.2 million or 12% in 1981 as a result of more debt outstanding at higher interest rates. Also, in 1981, the company issued an additional \$23 million of first mortgage bonds. The increase in total interest expense would have been higher without the increased AFUDC applicable to borrowed funds which is recorded as a reduction of total interest expense. The increased AFUDC was totally the result of construction expenditures at Weston 3 in 1981.

Liquidity and Capital Resources

The company has maintained good liquidity levels and follows conservative accounting practices. The company's financial position is considered to be strong by utility analysts. No funding difficulties are anticipated in the near or long-term future. Commercial paper ratings of A-1 + (Standard & Poor's) and P-1 (Moody's) have resulted in a low cost for short-term debt. The company has also maintained adequate unused bank credit lines and has generally maintained an acceptable ratio of short-term debt to total capitalization. Recent levels of short-term debt have been higher than historically, but will be reduced through internal funds generation.

Funds generated internally continued increasing during 1982 and construction expenditures were well below the 1981 level. The company anticipates good levels of internal funds generation during the period 1983-1987. During this period internal funds generation is expected to exceed construction requirements and minimal amounts of AFUDC will be recorded. The next major generating plant is not expected to be operational until the 1990s and significant expenditures for that plant are not planned to start until the late 1980s. New capital offerings planned for 1983 through 1987 are expected to only include the Automatic Dividend Reinvestment and Stock Purchase Plan and the Employees' Tax Reduction Act Stock Ownership Plan and Trust. It is anticipated that

the \$23 million of tax-exempt bonds maturing in 1984 will be refinanced through additional bond offerings. Historically, the company has maintained a conservative dividend payout ratio.

The company's bond ratings are AA (Standard & Poor's) and Aa-1 (Moody's). These ratings are due in part to past high pretax interest coverages resulting from favorable earnings and good equity ratios. Bond Indenture interest coverage and pretax interest coverage were 5.12 and 3.76, respectively, for the year 1982. These coverages have increased in 1982 as compared to 1981. The present favorable trend results from lower construction requirements, lower AFUDC, additional rate relief, and high equity ratios. Common and preferred shareholders' equity at 60% of long-term capital was higher than the 55% one year ago.

The company has aggressively sought rate relief as necessary to preserve earnings levels and provide a competitive return for shareholders. There are currently rate cases pending which are discussed under "Rate Proceedings" in the "Review of the Year."

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, quantifiable statement of financial results but do not evaluate the impact of inflation. The Financial Accounting Standards Board (FASB) has established a requirement, on an experimental basis, to disclose supplemental information discussing the impact of inflation. Note 6 of "Notes to Financial Statements" discusses the effects of inflation on the company's operating results. These supplemental data are not intended as a substitute for earnings reported on a historical cost basis but do offer some perspective of the approximate effects of inflation rather than a precise measurement of these effects.

Statements of Income

	Years Ended December 31		
	1982	1981	1980
	(Thousands)		
Operating Revenues:			
Electric	\$355,766	\$294,509	\$263,806
Gas	<u>228,681</u>	<u>197,753</u>	<u>172,629</u>
	<u>584,447</u>	<u>492,262</u>	<u>436,435</u>
Operating Expenses:			
Operation —			
Electric production fuels	114,688	88,400	85,256
Gas purchased for resale	195,132	166,787	142,519
Purchased power, net	13,152	20,333	12,429
Other	69,160	59,005	51,103
Maintenance	30,755	25,571	21,742
Depreciation —			
Straight-line provision	38,138	29,685	27,725
Additional depreciation	6,090	8,269	5,489
Taxes —			
Current federal income	22,167	7,257	10,943
Investment credit deferral, net	2,947	11,616	11,380
Current state income	5,470	2,473	3,492
Property and other	<u>17,144</u>	<u>15,566</u>	<u>12,814</u>
	<u>514,843</u>	<u>434,962</u>	<u>384,892</u>
Operating Income	<u>69,604</u>	<u>57,300</u>	<u>51,543</u>
Other Income and Deductions:			
AFUDC, other funds	—	472	777
Gains on bonds reacquired	421	405	383
Income taxes	(195)	(544)	(154)
Other, net	<u>389</u>	<u>1,002</u>	<u>295</u>
	<u>615</u>	<u>1,335</u>	<u>1,301</u>
Income Before Interest Expense	<u>70,219</u>	<u>58,635</u>	<u>52,844</u>
Interest Expense:			
Interest on bonds	22,418	21,224	16,501
AFUDC, borrowed funds	(191)	(8,941)	(3,798)
Other interest	6,085	7,270	4,689
	<u>28,312</u>	<u>19,553</u>	<u>17,392</u>
Net Income	<u>41,907</u>	<u>39,082</u>	<u>35,452</u>
Preferred Stock Dividend Requirements	<u>6,036</u>	<u>5,644</u>	<u>4,633</u>
Earnings On Common Stock	<u>\$ 35,871</u>	<u>\$ 33,438</u>	<u>\$ 30,819</u>
Earnings Per Share On Common Stock	\$3.14	\$3.00	\$2.83
Dividends Per Share On Common Stock	\$2.04	\$1.89	\$1.77

The accompanying notes to financial statements are an integral part of these statements.



Balance Sheets

	December 31		
	1982	1981	1980
	(Thousands)		
Assets			
Utility Plant (at original cost):			
In service — Electric	\$ 915,173	\$877,454	\$635,073
Gas	111,376	103,604	100,968
	<u>1,026,549</u>	<u>981,058</u>	<u>736,041</u>
Less — Accumulated provision for depreciation	395,438	350,253	315,156
	<u>631,111</u>	<u>630,805</u>	<u>420,885</u>
Construction in progress	19,646	8,249	156,523
Nuclear fuel	72,347	58,918	50,609
Less — Accumulated provision for amortization	54,232	42,079	33,734
	<u>18,115</u>	<u>16,839</u>	<u>16,875</u>
Net utility plant	<u>668,872</u>	<u>655,893</u>	<u>594,283</u>
Investments (at cost or less)	13,056	14,475	11,889
Current Assets:			
Cash and special deposits	3,274	5,144	1,297
Customer and other receivables (net of uncollectible reserves)	44,984	40,346	37,937
Accrued utility revenues	27,595	26,006	21,807
Fossil fuel, at average cost	40,887	37,134	36,800
Materials and supplies, at average cost	8,146	8,297	7,159
Prepayments	1,182	1,276	970
Total current assets	<u>126,068</u>	<u>118,203</u>	<u>105,970</u>
Deferred Charges	6,497	8,464	7,109
	<u>\$ 814,493</u>	<u>\$797,035</u>	<u>\$719,251</u>
Capitalization and Liabilities			
Shareholders' Investment:			
Common stock equity	\$ 276,035	\$253,078	\$235,997
Preferred stock with no mandatory redemption	51,200	51,200	51,200
Total	<u>327,235</u>	<u>304,278</u>	<u>287,197</u>
Preferred Stock With Mandatory Redemption	25,500	26,250	12,000
Long-Term Debt	<u>231,601</u>	<u>272,283</u>	<u>280,313</u>
Total capitalization	<u>584,336</u>	<u>602,811</u>	<u>579,510</u>
Current Liabilities:			
Note payable	10,000	10,000	10,000
Commercial paper	36,000	36,915	5,970
Maturing first mortgage bonds	40,000	—	—
Accounts payable	43,224	49,910	41,267
Accrued taxes	13,506	4,339	4,849
Accrued interest	7,491	6,665	6,955
Accrued contributions to retirement plans	4,682	4,974	6,482
Other	2,539	2,276	2,527
Total current liabilities	<u>157,442</u>	<u>115,079</u>	<u>78,050</u>
Other Credits:			
Accumulated deferred investment credit	48,645	46,437	36,544
Other	24,070	32,708	25,147
	<u>72,715</u>	<u>79,145</u>	<u>61,691</u>
	<u>\$ 814,493</u>	<u>\$797,035</u>	<u>\$719,251</u>

The accompanying notes to financial statements are an integral part of these statements.

Statements of Capitalization

			December 31		
			<u>1982</u>	<u>1981</u>	<u>1980</u>
			(Thousands)		
COMMON STOCK EQUITY:					
Common stock equity —					
Common stock, \$8 par value, 16,000,000 shares authorized;					
11,636,085, 11,308,740 and 11,048,865 shares outstanding,					
respectively					
			\$ 93,089	\$ 90,470	\$ 88,391
Premium on capital stock			48,179	43,982	41,500
Retained earnings			134,767	118,626	106,106
Total common stock equity			<u>276,035</u>	<u>253,078</u>	<u>235,997</u>
PREFERRED STOCK:					
Cumulative, \$100 par value, 1,000,000 shares authorized:					
With no mandatory redemption —					
	Series	Shares outstanding			
	5.00%	132,000	13,200	13,200	13,200
	5.04%	30,000	3,000	3,000	3,000
	5.08%	50,000	5,000	5,000	5,000
	6.76%	150,000	15,000	15,000	15,000
	7.72%	150,000	15,000	15,000	15,000
			<u>51,200</u>	<u>51,200</u>	<u>51,200</u>
With mandatory redemption —					
10.50% Series, 108,081, 116,290 and 127,480 shares					
outstanding, respectively					
			10,808	11,629	12,748
10.75% Series, 150,000 shares outstanding in 1982 and 1981					
			15,000	15,000	—
Sinking fund requirements					
			(308)	(379)	(748)
			<u>25,500</u>	<u>26,250</u>	<u>12,000</u>
LONG-TERM DEBT:					
First mortgage bonds —					
	Series	Year due			
	10.80%	1983	40,000	40,000	40,000
	3¼%	1984	9,125	9,125	9,125
	7.90%	1984	22,000	22,000	—
	8.50%	1984	1,000	1,000	—
	4¾%	1987	5,062	5,062	5,062
	4¾%	1993	9,146	9,656	9,996
	4½%	1994	13,019	13,341	13,836
	6¾%	1997	23,482	23,482	23,482
	7¼%	1999	24,039	24,039	24,039
	8¼%	2001	25,000	25,000	25,000
	8½%	2003	25,000	25,000	25,000
	7¾%	2005	11,000	11,000	11,000
	8.20%	2012	45,000	45,000	45,000
			<u>252,873</u>	<u>253,705</u>	<u>231,540</u>
Maturing first mortgage bonds			(40,000)	—	—
Unamortized discount and premium on bonds, net			(1,272)	(1,422)	(1,227)
Total first mortgage bonds			211,601	252,283	230,313
Other long-term debt			20,000	20,000	20,000
Commercial paper to be refinanced			—	—	30,000
Total long-term debt			<u>231,601</u>	<u>272,283</u>	<u>280,313</u>
Total capitalization			<u>\$584,336</u>	<u>\$602,811</u>	<u>\$579,510</u>

The accompanying notes to financial statements are an integral part of these statements.



Sources of Construction Funds

	Years Ended December 31		
	1982	1981	1980
	(Thousands)		
Funds Generated Internally:			
Net income	\$ 41,907	\$ 39,082	\$ 35,452
Depreciation	44,228	37,954	33,214
Amortization of nuclear fuel	17,078	10,313	8,090
Investment credit deferral, net	2,947	11,616	11,380
AFUDC	(191)	(9,413)	(4,575)
Other	3,838	1,283	(135)
Funds provided from operations	109,807	90,835	83,426
Less — Cash dividends on common and preferred stock	29,343	26,435	23,956
Net funds generated internally	80,464	64,400	59,470
Funds From Outside Financing:			
Sale of first mortgage bonds and other long-term debt	—	23,000	80,000
Redemption and maturities of first mortgage bonds and other long-term debt	—	—	(22,380)
Bond sinking fund retirements	(832)	(835)	(860)
Sale of preferred stock	—	15,000	—
Redemption of preferred stock	(821)	(1,119)	(752)
Sale of common stock	6,785	4,490	2,910
Change in short-term borrowings	(915)	30,945	5,970
Change in commercial paper to be refinanced	—	(30,000)	3,730
Net funds from outside financing	4,217	41,481	68,618
Changes In Other Net Current Assets:			
Fossil fuel	(3,753)	(334)	(5,249)
Customer and other receivables	(4,638)	(2,409)	(9,845)
Accrued utility revenues	(1,589)	(4,199)	(4,091)
Accounts payable	(6,686)	8,643	10,793
Accrued taxes	9,167	(510)	(1,368)
Other, net	2,632	(8,695)	(170)
Changes In Net Deferred Assets	(7,969)	6,340	5,733
Total funds used for construction expenditures and nuclear fuel, excluding AFUDC	71,845	104,717	123,891
AFUDC	191	9,413	4,575
Total funds used for construction expenditures and nuclear fuel, including AFUDC	\$ 72,036	\$114,130	\$128,466

The accompanying notes to financial statements are an integral part of these statements.

Retained Earnings

	Years Ended December 31		
	1982	1981	1980
	(Thousands)		
Balance at Beginning of Year	\$118,626	\$106,106	\$ 94,610
Add — Net income	41,907	39,082	35,452
Other	3,577	—	—
	<u>164,110</u>	<u>145,188</u>	<u>130,062</u>
Deduct —			
Cash dividends declared on preferred stock:			
5.00% Series (\$5.00 per share)	660	660	660
5.04% Series (\$5.04 per share)	151	151	151
5.08% Series (\$5.08 per share)	254	254	254
6.76% Series (\$6.76 per share)	1,014	1,014	1,014
7.72% Series (\$7.72 per share)	1,158	1,158	1,158
10.50% Series (\$10.50 per share)	1,200	1,289	1,410
10.75% Series (\$10.75 per share in 1982 and \$5.79 per share in 1981)	1,613	869	—
Cash dividends declared on common stock	23,293	21,040	19,309
Other	—	127	—
	<u>29,343</u>	<u>26,562</u>	<u>23,956</u>
Balance at End of Year	<u>\$134,767</u>	<u>\$118,626</u>	<u>\$106,106</u>

The accompanying notes to financial statements are an integral part of these statements.

Auditors' Report

To the Board of Directors and Shareholders, Wisconsin Public Service Corporation:

We have examined the balance sheets and statements of capitalization of WISCONSIN PUBLIC SERVICE CORPORATION (a Wisconsin corporation) as of December 31, 1982, 1981 and 1980, and the related statements of income, retained earnings and sources of construction funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Wisconsin Public Service Corporation as of December 31, 1982, 1981 and 1980, and the results of its operations and the sources of its construction funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Milwaukee, Wisconsin,
January 31, 1983.

ARTHUR ANDERSEN & CO.



Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: The financial statements reflect the

application of certain accounting policies which are described in this note.

(a) Jurisdictional Accounting — The company has adopted full jurisdictional accounting as of January 1, 1982 wherein the accounts have been adjusted to reflect the effects of the different ratemaking principles followed by the various jurisdictions regulating the company. The cumulative prior years' effect of adopting full jurisdictional accounting has been recorded as an adjustment to January 1, 1982 retained earnings. The accompanying financial statements have not been restated as the effect on 1981 and 1980 reported

earnings is not material and, therefore, does not significantly affect the comparability between periods. FERC's final decision regarding the proper accounting treatment for the prior years' cumulative effect is pending. Although the current effect of adopting jurisdictional accounting is immaterial, the company believes that the impact will become more significant in the future as the trend towards varying ratemaking principles between jurisdictions continues.

(b) Utility Plant — Utility plant is stated at the original cost of construction, which includes AFUDC. Pursuant to an order of the PSCW, AFUDC is recorded (at 7%) only on that portion of construction work in progress in excess of 10% of average annual net investment rate base for the then current calendar year prorated based upon the Wisconsin jurisdictional percentage. FERC AFUDC is recorded based on FERC jurisdictional electric construction work in progress at debt and equity percentages based on a FERC order. The FERC

jurisdictional AFUDC amount applicable to the debt component is recorded as AFUDC borrowed funds and the amount applicable to the equity component is recorded as AFUDC other funds. The Wisconsin jurisdictional AFUDC is allocated first to AFUDC borrowed funds based on the FERC order with the residual being allocated to AFUDC other funds.

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

(c) Depreciation — Provisions for straight-line depreciation are based on the estimated lives of property and are equivalent to annual composite rates for electric and gas property of 3.93% and 4.04% in 1982, 4.02% and 4.32% in 1981, and 3.89% and 4.34% in 1980, respectively. Provisions for additional depreciation are amounts equivalent to the estimated effect on federal and state income taxes due to the use of various liberalized depreciation allowances with respect to plant in service, nuclear fuel, pollution abatement facilities, removal costs, repair allowances and other timing differences as discussed under "Income Taxes" below. The estimated reduction in income taxes, shown as additional depreciation, amounted to \$4,958,000, \$6,009,000 and \$4,162,000 for

federal taxes and \$1,132,000, \$2,260,000 and \$1,327,000 for state taxes for the years 1982, 1981 and 1980, respectively. Accumulated additional depreciation totaled \$105,598,000, \$94,396,000 and \$84,238,000 at December 31, 1982, 1981 and 1980, respectively.

Decommissioning costs are currently estimated to be \$108,612,000 for the company's 41.2% ownership share of the Kewaunee nuclear plant. Depreciation rates have been adjusted periodically to provide for the recovery of decommissioning costs through rates based on the methods prescribed by each of the jurisdictions regulating the company. Therefore, it is anticipated that future depreciation rates will be adjusted to recover such decommissioning costs.

(d) Nuclear Fuel — The cost of nuclear fuel is being amortized to fuel expense based on the quantity of heat produced for the generation of electric energy by the Kewaunee plant. The tax effect of using a liberalized method of depreciating the fuel for income tax purposes is recorded as additional depreciation as discussed in "Depreciation" above. Amortization totaling \$63,336,000, \$46,072,000 and \$35,760,000 and

additional depreciation of (\$9,104,000), (\$3,993,000) and (\$2,026,000) as of December 31, 1982, 1981 and 1980, respectively, is included in the accumulated provision for amortization of nuclear fuel. The costs amortized to fuel expense (which assume no salvage values for uranium or plutonium) include an amount for estimated future storage which is being recovered through current

rates. The accrual for estimated future storage costs, which is included in the accumulated provision for amortization as required by the PSCW, is adequate to fund the fees payable under the provisions of the Nuclear Waste Policy Act of 1982. Interim storage space for spent nuclear fuel is provided at the Kewaunee plant, and expenses associated with this storage are recognized as current operating costs.

The company has a wholly-owned subsidiary which engages in various mining operations relating to procuring a reliable supply of uranium for the Kewaunee plant. The investment in this subsidiary (\$6,436,000, \$8,533,000 and \$6,032,000 at December 31, 1982, 1981 and 1980, respectively) is carried on the equity basis of accounting. The uranium obtained through this subsidiary is carried at cost, including the operation costs of the subsidiary.

(e) Income Taxes — (1) Depreciation for federal and state income taxes reflects the use of various liberalized depreciation allowances. The estimated reductions in income taxes due to the use of these practices are provided as additional depreciation as discussed under "Depreciation" and "Nuclear Fuel" above. (2) Investment credits are being deferred and applied as a reduction of federal income tax expense over the estimated service lives of the related property.

The net investment credit deferral amounts reflect the company's utilization of the 10% investment credit and an additional 1½% credit resulting from the establishment of a TRASOP for its employees. (3) The effective income tax rates are computed by dividing total income tax expense, including net investment credit deferral and additional depreciation, as discussed under "Depreciation" and "Nuclear Fuel" above, by the sum of such expense and net income.

	1982		1981		1980	
	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	RATE
Effective income tax	\$36,869	46.8%	\$30,159	43.6%	\$31,452	47.0%
AFUDC	88	.1	4,330	6.2	2,104	3.1
State income taxes and state additional depreciation, net	(3,414)	(4.3)	(3,044)	(4.4)	(2,936)	(4.4)
Investment credit restored	2,723	3.4	1,738	2.5	1,385	2.1
Other differences, net	(29)	—	(1,332)	(1.9)	(1,229)	(1.8)
Statutory federal income tax	<u>\$36,237</u>	<u>46.0%</u>	<u>\$31,851</u>	<u>46.0%</u>	<u>\$30,776</u>	<u>46.0%</u>

(f) Retirement and Welfare Plans — The company has noncontributory 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. It is the company's policy to fund retirement contributions to meet current costs of the plans and amortize the unfunded prior service costs over approximately 10 years. Pension costs were \$4,684,000 in 1982, \$4,972,000 in 1981 and \$6,482,000 in 1980, of which \$4,320,000, \$4,972,000 and \$6,482,000, respectively, were charged to expense. In 1982, the PSCW ordered the company to capitalize pension costs related to capitalized payroll and \$364,000 of these pension costs were capitalized.

1, 1982, the market value of net plan assets available for benefits was \$75,597,000.

As of January 1, 1981, the actuarially computed values of accumulated vested and nonvested plan benefits were \$72,148,000 and \$3,802,000, respectively, and the market value of net plan assets available for benefits was \$74,840,000.

As of January 1, 1980, the actuarially computed values of accumulated vested and nonvested plan benefits were \$63,094,000 and \$1,956,000, respectively, and the market value of net plan assets available for benefits was \$60,471,000.

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 5½%.

As of January 1, 1982 (the date of the latest actuarial valuation), the actuarially computed values of accumulated vested and nonvested plan benefits were \$73,413,000 and \$9,157,000, respectively. As of January

The company also has a self-insured medical plan which provides health care benefits to employees and their dependents, and to retirees and their dependents.



Notes to Financial Statements

Beginning in mid-1981, the company is funding amounts applicable to post-retirement benefits prospectively through a trust fund. The total expenses related to this funding were \$2,764,000 in 1982 and

\$1,083,000 in 1981. The company anticipates that it will amortize the unfunded past service cost associated with the plan over the period in which recovery through rates is permitted.

(g) Earnings Per Share — Earnings per share on common stock are computed on the basis of the weighted average number of shares outstanding

(11,419,269, 11,129,940 and 10,905,032 shares for 1982, 1981 and 1980, respectively).

(h) Revenue — Pursuant to an order of the PSCW, the company accrues revenues related to electric and gas service as rendered instead of as billed. This order also provided that the estimated amount of unbilled revenues

as of January 1, 1977 was to be recorded as a deferred credit and amortized to income over 10 years beginning in 1977 with appropriate ratemaking recognition.

(i) Research, Development and Environmental Costs — These costs are normally charged to the appropriate operating expense on a current basis. However, such costs which are related to a construction project are

capitalized as part of the cost of utility plant. Total costs were \$1,812,000, \$1,528,000 and \$1,331,000 for the years 1982, 1981 and 1980, respectively, of which insignificant amounts were charged to construction.

(j) 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 accumulated

provision for depreciation. No profit or loss is recognized in connection with ordinary retirements of property units. Maintenance and repair costs and replacement and renewal of items less than units of property are charged to operating expenses.

(2) JOINTLY-OWNED FACILITIES AND CONSTRUCTION COMMITMENTS:

Information with respect to the company's share of jointly-owned electric generating facilities in service at December 31, 1982 is as follows:

	<u>Columbia Energy Center</u>	<u>Edgewater Unit No. 4</u>	<u>Kewaunee</u>
		(Thousands)	
Ownership	31.8%	31.8%	41.2%
Utility plant in service	\$101,409	\$14,698	\$97,438
Accumulated provision for depreciation	\$35,072	\$7,665	\$50,173
Construction in progress	\$1,152	\$208	\$2,449

The company's share of direct expenses for these plants is included in the corresponding operating expenses in the income statements and the company supplies its own financing for all jointly-owned projects.

Information with respect to major construction projects in progress is as follows:

<u>Project</u>	<u>Ownership</u>	<u>Construction in Progress — December 31</u>		
		(Thousands)		
		<u>1982</u>	<u>1981</u>	<u>1980</u>
Haven (nuclear)	18.4%	(a)	(a)	(a)
Weston Unit 3 (coal)	100.0%	—	—	\$146,245

(a) See information below regarding this project's expenditures.

In July 1977, the joint application for a certificate of authority to construct two 900 Mw nuclear power plant

units at Lake Koshkonong, Wisconsin, was withdrawn. A joint application for a certificate of authority to

construct a similar design nuclear plant with a single 900 Mw unit was then filed for an alternative site near Haven, Wisconsin.

In March 1979, the company received an order from the PSCW requiring the transfer of Koshkonong plant expenditures of approximately \$3,800,000 from deferred charges to construction in progress and nuclear fuel based on Commission findings that such expenditures would be applicable to the proposed Haven project. The order also required the write-off of approximately \$1,200,000 (before income taxes) to operating expense in 1979.

In November 1982, the Wisconsin Supreme Court reversed the PSCW's aforementioned 1979 write-off order and directed the PSCW to establish procedures for proper amortization. As a result of this ruling, the PSCW directed the company to reverse the original write-off and record the amount as a deferred charge pending decision by the PSCW of the period of amortization and the manner in which it will be reflected in rates.

In February 1980, the joint application for a certificate of authority for the Haven plant was withdrawn and plans to construct a nuclear plant at the site were abandoned. Pursuant to an order of the PSCW, the company transferred its share of precertification expenditures (\$5,736,000 before income taxes) to a deferred charge account. Such amounts are being amortized to expense over a three-year period commencing June 1981 with concurrent recovery in rates.

During 1981, the amount of cancellation charges for engineering and licensing expenditures and purchases of uranium were agreed to by the joint owners of the cancelled Haven project. The company's share of these settlements was \$2,985,000 (before income taxes) and has been recorded as a deferred charge. This amount is being amortized to expense over a three-year period commencing May 1982 with concurrent recovery in rates.

Utility plant construction expenditures for 1983 are estimated to be about \$53,216,000.

(3) SHORT-TERM DEBT AND LINES OF CREDIT: To support outstanding commercial paper, the company maintains unused bank lines of credit. Most of these lines of credit require payment of quarterly fees. Some lines of credit are supported by compensating balances.

These lines may be withdrawn at the discretion of the lenders. Substantially all cash balances represent compensating balances for credit lines and other bank services, however, there are no legal restrictions as to withdrawal of these funds.

The following information relates to short-term borrowings, including commercial paper subject to refinancing, and lines of credit for the years indicated:

	<u>1982</u>	<u>1981</u>	<u>1980</u>
		(Thousands)	
As of end of year —			
Discount rate on outstanding commercial paper	8.3% to 8.8%	11.2% to 12.7%	16.6% to 19.6%
Interest rate on note payable	8.3%	11.3%	14.5%
Unused lines of credit	\$42,645	\$44,425	\$42,670
Compensating balance requirements	\$915	\$2,504	\$2,589
For the year —			
Maximum amount of borrowings	\$58,515	\$56,915	\$59,115
Average amount of borrowings	\$45,246	\$43,226	\$34,013
Weighted average interest rate on borrowings	12.1%	15.8%	12.7%

The company also has a financing agreement with a commercial bank that permits the company to borrow up to \$20,000,000 (which was reduced from \$50,000,000 on January 1, 1982) at any time through December 31, 1984 provided compliance with certain financial covenants is maintained. A fee is payable on

any unused portion of the commitment. As of December 31, 1982, \$20,000,000 was borrowed under this agreement. Because of this agreement, \$30,000,000 of the commercial paper outstanding at December 31, 1980 was included in Long-Term Debt.



Notes to Financial Statements

(4) PREFERRED STOCK: The 10.50% Series Preferred Stock has a mandatory 5% annual sinking fund requirement and an additional 5% is redeemable annually at the company's option at a price of \$100 per share plus accrued dividends. In each of the years 1982, 1981 and 1980, 7,500 shares of this Series were

retired to meet sinking fund requirements.

During April 1981, the company issued \$15,000,000 of 10.75% Preferred Stock with a mandatory redemption date of May 1, 1991.

(5) FIRST MORTGAGE BONDS: 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 166% of the annual requirements.

The following information relates to sinking fund and maturity requirements on long-term debt outstanding as of December 31, 1982:

	1983	1984	1985	1986	1987
			(Thousands)		
Sinking fund requirements	\$ 1,975	\$ 1,850	\$1,850	\$1,850	\$1,780
Maturing first mortgage bonds	40,000	32,125	—	—	5,062
Total	<u>\$41,975</u>	<u>\$33,975</u>	<u>\$1,850</u>	<u>\$1,850</u>	<u>\$6,842</u>

As of December 31, 1982, the company had satisfied all of its sinking fund requirements due in 1983 and \$415,000 of those due in 1984.

due April 15, 1984 to secure loans made to the company from the proceeds of revenue bond issues in the same amount and concurrently sold by the Town of Weston, Wisconsin. Under the terms of the sale, a Construction Fund, included in Special Deposits, which totaled \$3,017,000 as of December 31, 1981, was established for construction of certain pollution-control equipment. As of December 31, 1982, these funds have been expended.

During July 1980, the company issued \$40,000,000 of 10.8% First Mortgage Bonds due July 15, 1983.

During April 1981, the company issued \$22,000,000 of 7.9% and \$1,000,000 of 8.5% First Mortgage Bonds

(6) CONSTANT DOLLAR AND CURRENT COST INFORMATION (Unaudited): The following supplementary information is presented in response to the Financial Accounting Standards Board (FASB) Statement No. 33, Financial Reporting and Changing Prices, for the purpose of providing certain information on an experimental basis about the effects of inflation on the company. In issuing Statement No. 33, the FASB stated that the "measurement and use of information on changing prices will require a substantial learning process on the part of all concerned." The company cautions the readers of the inherent imprecision of this data and of the many subjective judgments required in the estimation of inflationary data which could produce substantial variations in the results.

constant dollar amounts to the extent that specific prices increased more or less rapidly than the general rate of inflation. The current cost of plant, and thus the increase in specific prices, is based on the most recent specific current prices where possible and the Handy-Whitman Index of Public Utility Construction Costs. Current cost does not necessarily represent the replacement cost of the company's productive capacity because the utility plant is not expected to be replaced precisely in kind.

Constant dollar amounts below represent historical cost stated in terms of dollars of equal purchasing power, as measured by the Consumers Price Index for all Urban Consumers (CPI-U). Current cost amounts reflect changes in specific prices of plant from the date the plant was acquired to the present. They differ from

Fuel inventories, the cost of electric production fuels and gas purchased for resale have not been restated from their historical cost. Since only historical costs are deductible for income tax purposes, the income tax expense in the historical cost financial statements is not adjusted.

Under the ratemaking prescribed by the commissions regulating the company, only the historical cost of plant is recoverable in revenues as depreciation. Therefore, the change in the cost of plant stated in terms

of constant dollars and current cost from the historical cost of plant is reflected as an adjustment to recoverable costs. The effects of inflation on utility plant

are offset by the holding gain resulting from the use of debt to finance utility plant construction.

STATEMENT OF INCOME ADJUSTED FOR CHANGING PRICES FOR THE YEAR ENDED DECEMBER 31, 1982

	(Thousands of average 1982 dollars)	
	<u>Constant Dollar</u>	<u>Current Cost</u>
Earnings on common stock — historical	\$35,871	\$35,871
Effect on common shareholders' equity because of changing prices:		
Cost in excess of the original cost of productive facilities not recoverable in rates:		
Reportable as an increase to the provision for depreciation and nuclear fuel amortization	(39,180)	(59,461)
Reportable as an adjustment to recoverable cost	4,717	(9,849)
Excess of specific price changes (\$105,594) in the current year over general price level changes (\$70,747)	—	34,847
Offsetting effect of debt financing	<u>22,585</u>	<u>22,585</u>
Net effect on common shareholders' equity	<u>(11,878)</u>	<u>(11,878)</u>
Earnings on common stock — as adjusted	<u>\$23,993</u>	<u>\$23,993</u>

At December 31, 1982, the net recoverable amount of utility plant was \$668,872,000.

FIVE YEAR SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Operating revenues (1)	(Adjusted amounts in average 1982 dollars)				
Historical cost	\$584,447	\$492,262	\$436,435	\$382,012	\$331,933
As adjusted	584,447	522,802	511,591	508,354	491,444
Earnings on common stock (1)					
Historical cost	\$35,871	\$33,438	\$30,808	\$30,431	—
As adjusted	23,993	13,408	4,678	4,816	—
Earnings per share					
Historical cost	\$3.14	\$3.00	\$2.83	\$2.81	—
As adjusted	2.10	1.20	.43	.44	—
Common stockholders' equity, December 31 (1)					
Historical cost	\$276,035	\$253,078	\$235,997	\$221,581	—
As adjusted	271,161	260,091	264,218	278,831	—
Return on average common stockholders' equity					
Historical cost	13.9%	13.9%	13.6%	14.3%	—
As adjusted	9.3	5.2	1.8	1.7	—
Excess (deficit) of specific price changes over general price changes (1)	\$34,847	\$(42,085)	\$(55,845)	\$(48,280)	—
Offsetting effect of debt financing (1)	22,585	42,264	54,281	58,016	—
Cash dividends per share					
Historical cost	\$2.04	\$1.89	\$1.77	\$1.67	\$1.58
As adjusted	2.04	2.01	2.07	2.22	2.34
Market price per share					
Historical cost	\$23.75	\$18.63	\$15.63	\$17.38	\$18.00
As adjusted	23.75	19.79	18.32	23.13	26.65
Average Consumer Price Index	289.3	272.4	246.8	217.4	195.4

(1) Thousands



Notes to Financial Statements

(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 company is a regulated public utility and such information does not fully reflect the ratemaking treatment allowed by regulatory agencies.

	1982			1981			1980		
	Electric	Gas	Total	Electric	Gas	Total	Electric	Gas	Total
Operating revenues . . .	\$355,766	\$228,681	\$584,447	\$294,509	\$197,753	\$492,262	\$263,806	\$172,629	\$436,435
Operating expenses—									
Operation and maintenance	210,965	211,922	422,887	178,448	181,648	360,096	157,332	155,717	313,049
Straight-line depreciation	33,881	4,257	38,138	25,373	4,312	29,685	23,531	4,194	27,725
Property and other taxes	15,122	2,022	17,144	13,015	2,551	15,566	10,470	2,344	12,814
	<u>259,968</u>	<u>218,201</u>	<u>478,169</u>	<u>216,836</u>	<u>188,511</u>	<u>405,347</u>	<u>191,333</u>	<u>162,255</u>	<u>353,588</u>
Operating income before income taxes	95,798	10,480	106,278	77,673	9,242	86,915	72,473	10,374	82,847
Total AFUDC	191	—	191	9,413	—	9,413	4,575	—	4,575
Provisions for income tax (a)	33,267	3,407	36,674	26,488	3,127	29,615	28,097	3,207	31,304
Operating income including AFUDC	<u>\$ 62,722</u>	<u>\$ 7,073</u>	69,795	<u>\$ 60,598</u>	<u>\$ 6,115</u>	66,713	<u>\$ 48,951</u>	<u>\$ 7,167</u>	56,118
Other income, net			615			863			524
Interest expense			28,503			28,494			21,190
Net income			<u>\$ 41,907</u>			<u>\$ 39,082</u>			<u>\$ 35,452</u>
Identifiable assets (b)	<u>\$704,238</u>	<u>\$102,125</u>	<u>\$806,363</u>	<u>\$692,942</u>	<u>\$ 97,035</u>	<u>\$789,977</u>	<u>\$617,724</u>	<u>\$ 95,023</u>	<u>\$712,747</u>
Assets not allocated (c)			8,130			7,058			6,504
Total assets			<u>\$814,493</u>			<u>\$797,035</u>			<u>\$719,251</u>
Construction and nuclear fuel expenditures including AFUDC	<u>\$ 65,040</u>	<u>\$ 6,996</u>	<u>\$ 72,036</u>	<u>\$109,558</u>	<u>\$ 4,572</u>	<u>\$114,130</u>	<u>\$122,209</u>	<u>\$ 6,257</u>	<u>\$128,466</u>

- (a) Income taxes include amounts recorded as additional depreciation representing the estimated reduction in income taxes due to using liberalized depreciation for income tax purposes. See Note 1(c).
- (b) At December 31 and net of the respective accumulated provisions for depreciation.
- (c) Primarily includes cash, nonutility property and other receivables.

(8) COMMON STOCK: During 1982, 1981 and 1980 increases in outstanding common stock, \$8 par value were:

	Automatic Dividend Reinvestment and Stock Purchase Plan		Tax Reduction Act Stock Ownership Plan and Trust (TRASOP)	
	Number of Shares	Amount	Number of Shares	Amount
1982	223,189	\$4,480,325	104,156	\$2,304,452
1981	141,163	2,357,915	118,712	2,132,424
1980	76,527	1,224,774	98,565	1,684,870

(9) COMMITMENTS AND CONTINGENT LIABILITIES:
To assure a long-term supply of coal, the company has contracted to purchase 200,000 tons of coal per year through 1986. Under this contract the company is obligated to make minimum annual payments as follows, whether or not the company elects to receive the coal:

1983 . . .	\$2,100,000	1985 . . .	\$1,800,000
1984 . . .	1,950,000	1986 . . .	1,650,000

This contract also allows the company to decrease or increase the annual tonnage by 10% or 20,000 tons. The company's total purchases under this agreement were \$6,869,000 in 1982.

The company is a member of NEIL, established to

provide insurance coverage against the cost of replacement power during certain prolonged accidental outages of its nuclear generating unit. The company would be subject to a maximum assessment of approximately \$1 million in the event of losses of any NEIL member.

In addition, the NRC indemnity for public liability coverage under the Price-Anderson Act is supported by a mandatory industry-wide program under which owners of nuclear generating facilities could be assessed in the event of nuclear incidents. The company would be subject to a maximum assessment of \$5 million in the event of any one incident, limited to a maximum of \$10 million in any calendar year.

(10) QUARTERLY FINANCIAL INFORMATION (Unaudited):

	Three Months Ended			
	(Thousands except for per share data)			
	1982			
	Mar.	June	Sept.	Dec.
Operating revenues	\$179,780	\$124,915	\$121,523	\$158,229
Net income	\$11,957	\$6,678	\$9,828	\$13,444
Earnings on common stock	\$10,440	\$5,165	\$8,320	\$11,946
Average number of shares of common stock outstanding	11,310	11,361	11,427	11,577
Earnings per average share of common stock	\$.92	\$.46	\$.72	\$1.04
	1981			
	Mar.	June	Sept.	Dec.
Operating revenues	\$140,134	\$102,376	\$106,714	\$143,038
Net income	\$11,708	\$5,665	\$9,869	\$11,840
Earnings on common stock	\$10,564	\$4,204	\$8,348	\$10,322
Average number of shares of common stock outstanding	11,051	11,087	11,120	11,260
Earnings per average share of common stock	\$.96	\$.37	\$.75	\$.92
	1980			
	Mar.	June	Sept.	Dec.
Operating revenues	\$129,355	\$90,707	\$93,759	\$122,614
Net income	\$10,411	\$5,455	\$10,147	\$9,439
Earnings on common stock	\$9,248	\$4,294	\$8,987	\$8,279
Average number of shares of common stock outstanding	10,874	10,874	10,876	10,996
Earnings per average share of common stock	\$.85	\$.39	\$.83	\$.76

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



Financial Statistics

Statements Of Income (Thousands)

	1982	1981	1980	1979	1978	1977	1972
Operating Revenues:							
Electric	\$355,766	\$294,509	\$263,806	\$248,663	\$217,576	\$200,023	\$ 86,993
Gas	228,681	197,753	172,629	133,349	114,357	98,106	46,834
	<u>584,447</u>	<u>492,262</u>	<u>436,435</u>	<u>382,012</u>	<u>331,933</u>	<u>298,129</u>	<u>133,827</u>
Operating Expenses:							
Operation —							
Electric production fuels	114,688	88,400	85,256	78,942	63,881	55,402	21,899
Gas purchased for resale	195,132	166,787	142,519	103,680	89,360	73,862	29,240
Purchased power, net	13,152	20,333	12,429	5,980	1,241	2,740	4,136
Other	69,160	59,005	51,103	43,954	37,648	33,427	18,421
Maintenance	30,755	25,571	21,742	19,135	17,178	16,728	8,103
Depreciation —							
Straight-line provision	38,138	29,685	27,725	26,992	25,607	23,569	10,040
Additional depreciation	6,090	8,269	5,489	7,973	8,868	6,737	3,015
Taxes —							
Current federal income	22,167	7,257	10,943	20,897	19,169	21,586	5,105
Net investment credit	2,947	11,616	11,380	6,877	5,291	3,231	665
Current state income	5,470	2,473	3,492	4,339	3,898	4,014	214
Property and other	17,144	15,566	12,814	12,591	13,302	13,308	10,801
	<u>514,843</u>	<u>434,962</u>	<u>384,892</u>	<u>331,360</u>	<u>285,443</u>	<u>254,604</u>	<u>111,639</u>
Operating Income	69,604	57,300	51,543	50,652	46,490	43,525	22,188
Other Income and Deductions:							
AFUDC, other funds*	—	472	777	—	—	440	—
Gains on bonds reacquired	421	405	383	352	333	438	278
Income taxes	(195)	(544)	(154)	40	26	(356)	(7)
Other, net	389	1,002	295	(27)	(29)	787	246
	<u>615</u>	<u>1,335</u>	<u>1,301</u>	<u>365</u>	<u>330</u>	<u>1,309</u>	<u>517</u>
Income Before Interest Expense	70,219	58,635	52,844	51,017	46,820	44,834	22,705
Interest Expense:							
Interest on bonds	22,418	21,224	16,501	14,189	14,290	14,484	11,788
AFUDC, borrowed funds*	(191)	(8,941)	(3,798)	(537)	—	(593)	(4,619)
Other interest	6,085	7,270	4,689	2,148	406	207	718
	<u>28,312</u>	<u>19,553</u>	<u>17,392</u>	<u>15,800</u>	<u>14,696</u>	<u>14,098</u>	<u>7,887</u>
Net Income	41,907	39,082	35,452	35,217	32,124	30,736	14,818
Preferred Stock							
Dividend Requirements	6,036	5,644	4,633	4,786	4,812	4,812	2,443
Earnings On Common Stock	<u>\$ 35,871</u>	<u>\$ 33,438</u>	<u>\$ 30,819</u>	<u>\$ 30,431</u>	<u>\$ 27,312</u>	<u>\$ 25,924</u>	<u>\$ 12,375</u>

INCOME STATISTICS

Common Stock:

Shares outstanding, Dec. 31	11,636,085	11,308,740	11,048,865	10,873,773	10,813,996	10,777,428	7,689,734
Shares outstanding, Avg.	11,419,269	11,129,940	10,905,032	10,826,770	10,785,142	10,760,366	7,143,286
Earnings per share†	\$3.14	\$3.00	\$2.83	\$2.81	\$2.53	\$2.41	\$1.73
Dividends paid per share	\$2.04	\$1.89	\$1.77	\$1.67	\$1.58	\$1.50	\$1.18
Times Interest Earned:							
Before income taxes	3.76	3.43	4.15	5.65	5.72	5.51	2.90
After income taxes	2.47	2.37	2.67	3.16	3.19	3.09	2.18
Times Interest and Preferred							
Dividends Earned	2.04	1.98	2.19	2.44	2.40	2.33	1.83

*AFUDC is split between debt and equity portions beginning in 1977.

†Based on weighted average shares outstanding.

Balance Sheets (Thousands)

	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1972</u>
Assets							
Utility Plant:							
Electric	\$ 933,052	\$885,448	\$791,320	\$682,283	\$617,966	\$578,347	\$382,320
Gas	113,143	103,859	101,244	103,217	98,813	94,905	77,186
Bus	—	—	—	—	—	—	585
	<u>1,046,195</u>	<u>989,307</u>	<u>892,564</u>	<u>785,500</u>	<u>716,779</u>	<u>673,252</u>	<u>460,091</u>
Less —							
Accumulated depreciation	395,438	350,253	315,156	287,105	257,420	226,699	119,603
	<u>650,757</u>	<u>639,054</u>	<u>577,408</u>	<u>498,395</u>	<u>459,359</u>	<u>446,553</u>	<u>340,488</u>
Nuclear fuel, net	18,115	16,839	16,875	16,305	14,918	14,048	8,207
Net utility plant	<u>668,872</u>	<u>655,893</u>	<u>594,283</u>	<u>514,700</u>	<u>474,277</u>	<u>460,601</u>	<u>348,695</u>
Investments	13,056	14,475	11,889	12,137	11,884	10,609	5,122
Current assets	126,068	118,203	105,970	85,979	74,544	67,913	29,019
Deferred charges	6,497	8,464	7,109	2,955	8,431	8,469	2,150
Total assets	<u>\$ 814,493</u>	<u>\$797,035</u>	<u>\$719,251</u>	<u>\$615,771</u>	<u>\$569,136</u>	<u>\$547,592</u>	<u>\$384,986</u>
Capitalization and Liabilities							
Common stock and premium	\$ 141,268	\$134,452	\$129,891	\$126,971	\$125,873	\$125,134	\$ 79,085
Retained earnings	134,767	118,626	106,106	94,610	81,679	71,450	39,517
Preferred stock with no mandatory redemption	51,200	51,200	51,200	51,200	51,200	51,200	51,200
Preferred stock with mandatory redemption	25,500	26,250	12,000	12,750	14,250	15,000	—
Long-term debt	231,601	272,283	280,313	217,398	194,440	197,765	173,292
Total capitalization	<u>584,336</u>	<u>602,811</u>	<u>579,510</u>	<u>502,929</u>	<u>467,442</u>	<u>460,549</u>	<u>343,094</u>
Short-term borrowings	46,000	46,915	15,970	10,000	8,700	8,800	17,550
Bond sinking fund requirements and maturing first mortgage bonds	40,000	—	—	2,380	2,366	2,310	97
Other liabilities and credits	144,157	147,309	123,771	100,462	90,628	75,933	24,245
Total capitalization and liabilities	<u>\$ 814,493</u>	<u>\$797,035</u>	<u>\$719,251</u>	<u>\$615,771</u>	<u>\$569,136</u>	<u>\$547,592</u>	<u>\$384,986</u>
Book Value Per Share, Dec. 31	\$23.72	\$22.38	\$21.36	\$20.38	\$19.19	\$18.24	\$15.42
Return On Average Equity	13.9%	13.9%	13.6%	14.3%	13.7%	13.8%	11.4%
Capitalization Ratios							
Common stock and premium	24.2	22.3	22.4	25.3	26.9	27.2	23.1
Retained earnings	23.1	19.7	18.3	18.8	17.5	15.5	11.5
Preferred stock	13.1	12.8	10.9	12.7	14.0	14.4	14.9
Long-term debt	39.6	45.2	48.4	43.2	41.6	42.9	50.5
Percent Long-Term Debt to							
Net Utility Plant	34.6	41.5	47.2	42.2	41.0	42.9	49.7
Average Bond Rate	7.7	7.7	7.7	7.0	6.9	6.9	6.7
Average Preferred Stock Rate	7.7	7.8	7.2	7.2	7.3	7.3	6.3
Shareholders — Common stock	34,803	35,333	36,704	37,589	38,412	38,949	32,724
Preferred stock	7,267	7,628	8,006	8,434	8,790	9,002	8,815
Number of Employees, Dec. 31	2,204	2,116	1,969	1,875	1,837	1,801	1,927



Operating Statistics

	1982	1981	1980	1979	1978	1977	1972
Electric Operations							
Operating Revenues (Thousands):							
Residential	\$121,548	\$103,050	\$ 91,093	\$ 84,217	\$ 76,254	\$ 69,994	\$33,233
Commercial and industrial	179,857	152,153	132,963	127,461	112,716	102,256	47,574
All other	54,361	39,306	39,750	36,985	28,606	27,773	6,186
Total electric revenues	\$355,766	\$294,509	\$263,806	\$248,663	\$217,576	\$200,023	\$86,993
Kwh Sales (Thousands)	6,809,880	6,794,926	6,681,319	6,636,006	6,124,585	5,833,370	4,206,266
Number of Customers, Dec. 31:							
Residential	259,769	256,882	252,583	248,557	242,904	235,400	202,595
Commercial and industrial	28,172	27,833	26,484	25,917	25,387	24,907	23,734
All other	1,029	1,023	1,009	993	960	936	841
Total electric customers	288,970	285,738	280,076	275,467	269,251	261,243	227,170
Annual Average Use (Kwh):							
Residential	7,025	7,172	7,167	7,083	6,951	6,864	6,216
Commercial and industrial	128,986	131,398	132,766	139,067	134,490	130,102	108,561
Average Kwh Price (Cents):							
Residential	6.66	5.59	5.03	4.78	4.52	4.33	2.64
Commercial and industrial	4.95	4.16	3.78	3.54	3.30	3.16	1.85
Production Data:							
System Capacity (Kw):							
Steam	1,269,240	1,269,240	957,640	967,640	967,640	837,440	632,440
Nuclear	221,000	221,000	221,000	221,000	221,000	221,000	—
Hydraulic	62,156	62,156	62,156	62,156	62,156	62,156	62,156
Combustion turbine	156,200	156,200	156,200	156,200	156,200	156,200	63,350
Diesel	4,000	4,000	4,000	4,000	4,000	4,000	7,000
Total	1,712,596	1,712,596	1,400,996	1,410,996	1,410,996	1,280,796	764,946
Interest in Wisconsin River Power Company							
	11,667	11,667	11,667	11,667	11,667	11,667	11,667
Total system capacity	1,724,263	1,724,263	1,412,663	1,422,663	1,422,663	1,292,463	776,613
Generation and Purchases (Thousands of Kwh):							
Steam	4,685,171	4,387,774	4,783,306	4,862,769	4,348,475	4,164,132	3,878,180
Nuclear	1,577,139	1,553,941	1,496,685	1,417,890	1,606,997	1,462,607	—
Hydraulic	319,895	300,794	292,919	338,760	317,830	227,676	350,207
Purchases - Wisconsin River Power Company							
	76,563	71,487	76,957	78,560	79,960	49,661	77,143
Other	700,240	998,606	584,980	432,285	276,137	351,029	268,722
Total	7,359,008	7,312,602	7,234,847	7,130,264	6,629,399	6,255,105	4,574,252
System peak - firm (Kw)	1,101,000	1,132,800	1,106,600	1,103,700	1,053,100	1,007,000	759,000
Annual load factor	74.90%	72.80%	72.26%	70.50%	69.10%	65.86%	66.58%
Gas Operations							
Operating Revenues (Thousands):							
Residential	\$ 89,908	\$ 74,969	\$ 66,507	\$ 51,820	\$ 45,386	\$ 40,685	\$21,467
Commercial and industrial	136,445	120,862	103,335	80,130	68,230	56,709	25,257
All other	2,328	1,922	2,787	1,399	741	712	110
Total gas revenues	\$228,681	\$197,753	\$172,629	\$133,349	\$114,357	\$ 98,106	\$46,834
Therm Sales (Thousands)	482,490	484,993	515,738	531,178	522,131	484,963	568,943
Number of Customers, Dec. 31:							
Space heating	142,440	140,576	137,737	132,171	126,750	123,402	108,048
All other	10,701	11,322	12,176	14,074	15,352	15,743	20,163
Total gas customers	153,141	151,898	149,913	146,245	142,102	139,145	128,211

Directors and Officers



Standing, from left: James H. Liethen, Paul D. Ziemer, John M. Rose, Eugene R. Mathews.
Seated: William V. Arvold, Michael S. Ariens, Neil J. Webb, John S. Stiles, Linus M. Stoll, A. Dean Arganbright.

DIRECTORS

Paul D. Ziemer

President and Chief Executive Officer of the Company

A. Dean Arganbright

President, Wisconsin National Life Insurance Company, Oshkosh, Wisconsin

Michael S. Ariens

President and Chief Executive Officer, Ariens Company, Brillion, Wisconsin

William V. Arvold

Retired President, Wausau Paper Mills Company, Brokaw, Wisconsin

James H. Liethen

Senior Vice President of the Company

Eugene R. Mathews

Senior Vice President of the Company

John M. Rose

Chairman of the Board, Kellogg-Citizens National Bank, Green Bay, Wisconsin

John S. Stiles

Chairman of the Board, Morley-Murphy Company, Green Bay, Wisconsin

Neil J. Webb

President, St. Norbert College, De Pere, Wisconsin

OFFICERS

Paul D. Ziemer*

President and Chief Executive Officer

James H. Liethen*

Senior Vice President, Finance

Eugene R. Mathews*

Senior Vice President, Power Supply and Engineering

Linus M. Stoll*

Senior Vice President, Operations

Daniel A. Bollom

Vice President, Treasurer

Carl W. Giesler

Vice President, Nuclear Power

John V. Henderson

Vice President, Division Operations

Alfred E. Pearson

Assistant Vice President, Rates and Budgets

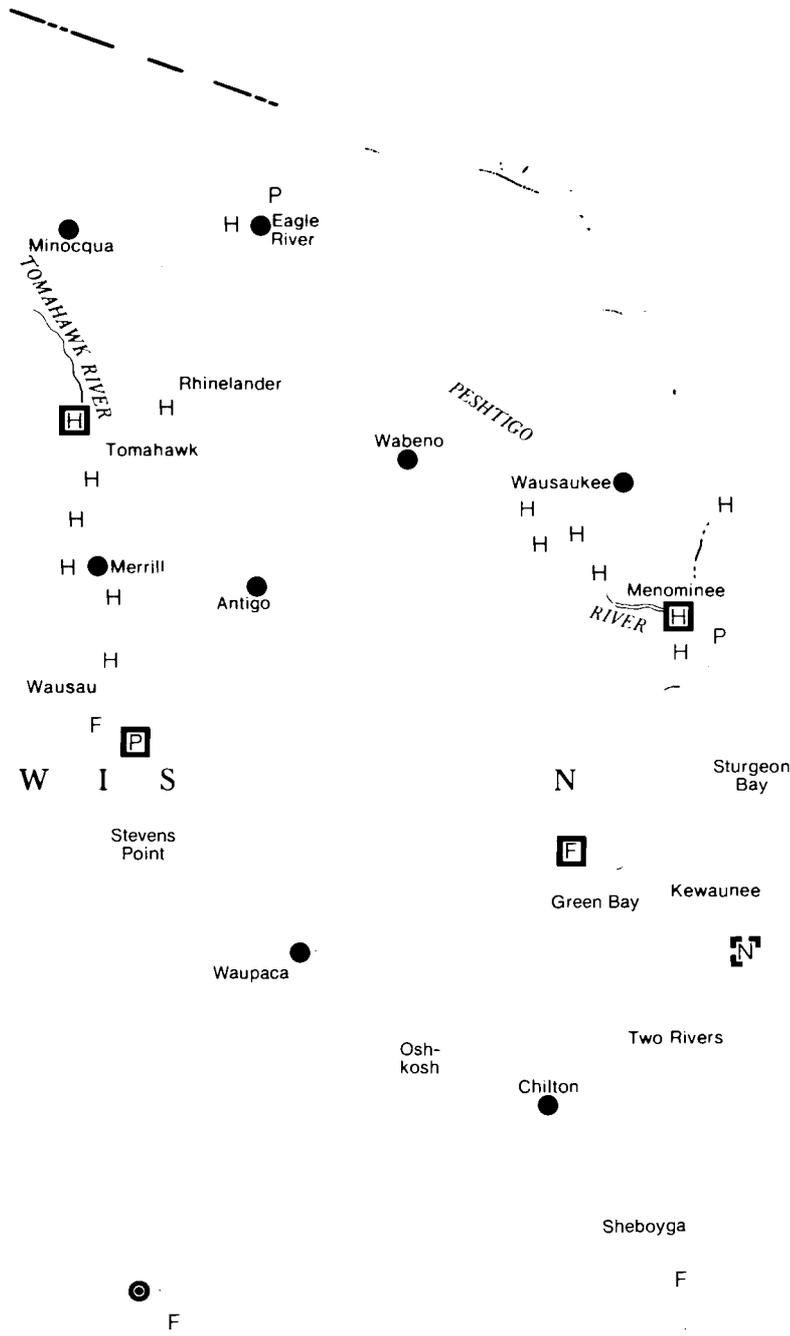
Robert D. Valesano

Assistant Vice President, Personnel

Robert H. Knuth

Secretary and Assistant Treasurer

*Management Staff



Wisconsin Public Service Corporation provides electric and natural gas service to 800,000 persons in northeastern Wisconsin and a small adjacent part of Upper Michigan. There are 19 customer service centers throughout the company's 10,000 square-mile territory.

LEGEND

- CUSTOMER SERVICE CENTERS
- GENERATING FACILITIES
- GENERATING FACILITIES — JOINTLY-OWNED
- F — FOSSIL FUEL P — PEAKING — TURBINE OR DIESEL
- N — NUCLEAR
- H — HYDRO



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