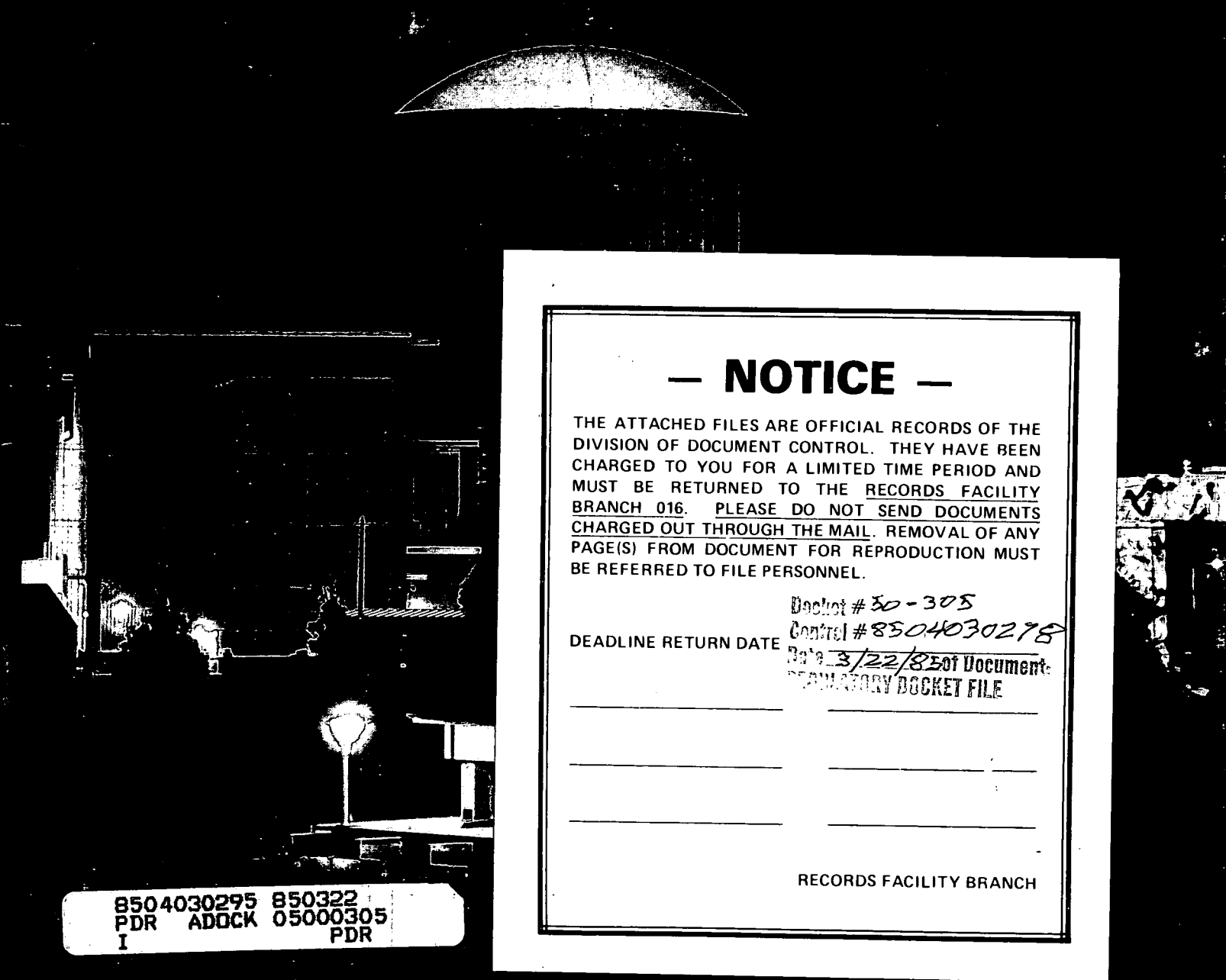
Corporation

1984 ANNUAL REPORT



Kewaunee Nuclear Plant . . . 10 Years of Excellence

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Business

WISCONSIN PUBLIC SERVICE CORPORATION is an investor-owned electric and gas utility serving a 10,000 square mile area of northeastern Wisconsin and an adjacent part of Upper Michigan.

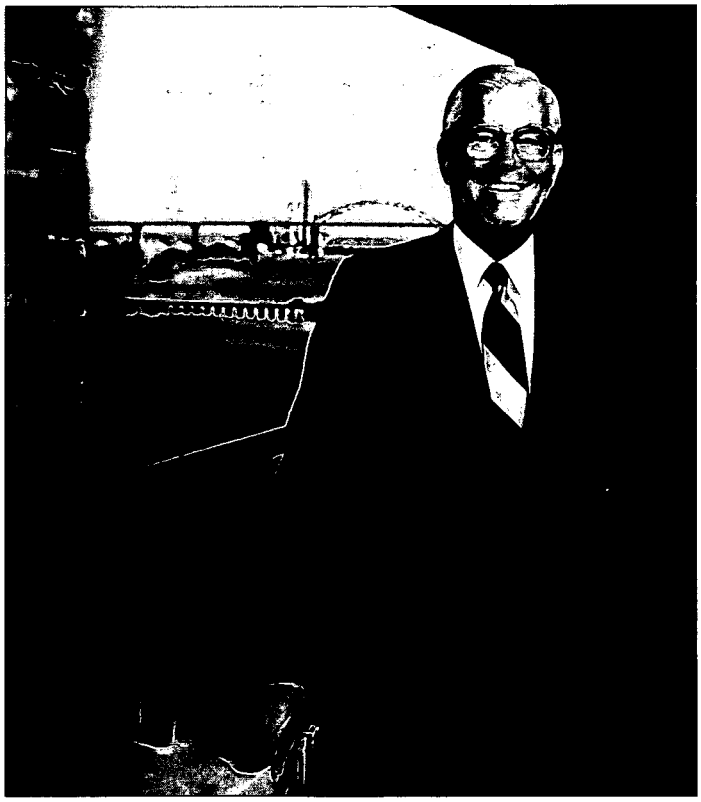
Operating Highlights

	1984	1983	Change
Revenues (Thousands)	$644,191	$629,891	2.3%
Net Income (Thousands)	56,270	51,594	9.1
Earnings Per Average Share of Common Stock	4.27	3.89	9.8
Dividends Paid Per Share	2.44	2.22	9.9
Book Value Per Share	27.20	25.38	7.2
Construction Expenditures (Thousands)	58,134	45,925	26.6
Capitalization (Thousands)	604,974	598,135	1.1
Electric Customers	297,638	293,040	1.6
Electric Sales (Kwh) (Thousands)	7,469,964	7,113,304	5.0
Gas Customers	157,022	154,755	1.5
Gas Sales (Therms) (Thousands)	470,912	460,488	2.3

Common Stock — Two Year Comparison

Share Data	Dividends Per Share	Price Range High	Price Range Low
1983			
1st Quarter	$ .53	24⅞	22¼
2nd Quarter	.53	25	22¾
3rd Quarter	.58	27¼	22⅝
4th Quarter	.58	30½	26¼
Total	$2.22		
1984			
1st Quarter	$ .58	29	25
2nd Quarter	.58	27⅞	24¼
3rd Quarter	.64	31⅛	27¼
4th Quarter	.64	32⅞	30¼
Total	$2.44		

President's Letter



To Our Shareholders:

The year 1984 was a good one for our customers and shareholders. It marked the 10th anniversary of our Kewaunee nuclear plant which we own jointly with two other Wisconsin utilities. We are very proud of its performance because, in the areas of availability, radiation control and good operating standards, it ranks as one of the finest plants in the world. I commend the performance of our employees who either directly or indirectly are involved in the operation of the plant.

Our earnings per share were $4.27 as compared with $3.89 in 1983, with the return on average equity being 16.2%. Factors contributing to the increase were lower interest costs, a low inflation rate, an improving economy and a continuing effort to control costs in both our electric and gas operations.

Our quarterly dividend was increased from 58 cents per share to 64 cents effective with the September payment. That marked the 26th consecutive year in which the dividends paid per share were increased. One of our goals is to continue this record of dividend increases. Based on our earnings level and capitalization, there currently are no restrictions on the ability to pay dividends.

Our firm sales of electricity increased about 5.7% as compared with 1983, and our firm sales of natural gas increased 1.2%, both primarily due to the continuing improvement in the economy. Gas sales also were helped by two special marketing programs.

We also are pleased that no rate increases became effective for our Wisconsin retail customers last year.

Through 1994 we expect our annual kilowatt-hour firm sales growth to be approximately 3%, and our peak load growth will average about 2.4%. These projections are almost identical to the 10-year outlook which was reported last year.

By the year 1994 we expect our system annual load factor to be about 78%. It was about 74% during 1984, considerably above the national average. Load factor is the degree of utilization of our electric system.

At the present time we see no net increase in our gas sales for the next 10 years. This is primarily due to continuing conservation efforts by our customers. Some loss of industrial sales due to price competition from other fuels also is projected.

Because of the continued slow growth of electric demand, it appears at this time that no new generating capacity will be needed until about 1998. Negotiations and study continue on the possible

President's Letter

purchase of hydroelectric power from the Province of Manitoba in Canada.

Our latest projected estimates on construction show total expenditures for the 5-year period 1985-1989 to be approximately $300 million. This is about $100 million less than was spent for construction during the previous 5-year period. We expect that all of these construction expenditures will be financed with internal funds. This forecast assumes no expenditures for sulfur dioxide control, which could be substantial depending on Congressional action.

Our capital structure is very strong. However, the common stock ratio relative to debt is rising to a level which the Public Service Commission of Wisconsin feels is excessive. Financial forecasts show that with lower construction requirements the level is expected to rise further. It may be necessary for the company to repurchase some of its common stock to alleviate this situation.

Barring any unforeseen emergencies, we believe rate increases for our electric and gas customers will be rather modest for the next three years, at least.

Our marketing efforts continue to focus on customer satisfaction and the wise use of energy. We have active programs in four major areas: Customer service, conservation, load management and sales. These areas overlap to form a customer-oriented approach to marketing that meets company objectives while recognizing that customers are one of our most important assets.

There are a number of legislative issues at both the state and federal levels which are of vital concern to us and which have an impact on our customers and shareholders.

We believe that a healthy railroad industry is essential to the industrial economy of this country, and we firmly support competition in the marketplace. However, where monopolistic conditions exist in coal transportation, we strongly support legislation which would call for regulatory review of those situations. This is absolutely essential for the protection of our electric customers. Our rail costs in 1984 were $55 million.

During the 99th Congress, we will vigorously pursue legislation to amend the Federal Power Act of 1920 to exclude municipal preference in the relicensing of hydro plants. Without such legislation we could lose plants we have owned and operated for many years, through unfair competition in the relicensing process. This, too, would be detrimental to our electric customers. Fortunately, we have received strong support on this issue from the entire Wisconsin delegation in Congress.

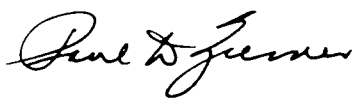
At both the state and federal levels, bills prohibiting construction work in progress in rate base will be introduced, and we will oppose them.

Legislation to permit the formation of holding companies will be introduced at the state level, and we will be very supportive of a reasonable statute. Certainly, utilities should have the opportunity to form holding companies if they so desire. Although we have no immediate plans to form a holding company, our strategic planning calls for the pursuit of activities closely related to our business. We plan to be involved only in those activities in which we can use our own company expertise. We believe in staying with the business we know best.

During the last year there have been efforts within the state of Wisconsin to actively pursue an economic development program. We and the other utilities have been in the forefront supporting these activities. To maintain the quality of government, education and other services which prevail in our state, we need a strong economic base to support them.

In addition, our company commissioned an economic development study of our territory by The Fantus Company of Chicago. For the past year, researchers have been studying all aspects of business development in our service area. We will share all research with local governments, communities and chambers of commerce so we can work together to help current employers grow and to attract the proper types of new industries to our area.

I am grateful for the dedication of our employees in their efforts to maintain high standards of customer service as well as to provide a reasonable return to our shareholders.



Paul D. Ziemer

President and
Chief Executive Officer

February 26, 1985

10 Years of Excellence

1967 Plans for Kewaunee plant announced in February and the groundbreaking ceremony held in November.

1973 Federal operating license granted in December allowing full power testing with nuclear fuel.

1974 Full power commercial operation began on June 16, and the formal dedication ceremony was held on July 17.

1981 By invitation of United States Government, Vice President-Power Production Carl W. Giesler delivered an address to international nuclear scientists in Vienna, Austria on Kewaunee's outstanding records of safety, reliability, low radiation exposure to employees and minimal waste production.

1982 Kewaunee sets record with 306 days of continuous operation, sixth longest in the then 25-year history of nuclear electricity.

1984 Kewaunee ranked third highest by the Nuclear Regulatory Commission among United States nuclear plants for lifetime record of reliable performance.

Celebration of 10th anniversary of operation with announcement that during first 10 years of service, $100 million in savings has been passed to customers of three utilities which own Kewaunee.

A decade of dedication by employees of Wisconsin Public Service Corporation involved with the Kewaunee nuclear power plant has made it one of the best operated, safest nuclear plants in the world.

For 10 years its pressurized water reactor serving a 535 megawatt generator has been producing electricity for customers of its three owners, Wisconsin Public Service Corporation, Green Bay, which operates the plant; Wisconsin Power and Light Company and Madison Gas and Electric Company, both of Madison.

During the first decade of service the plant did more than that: It built a reputation for excellence.

In 1982, it had the lowest radiation exposure to its employees of any plant in America, and it is continually rated among the safest operating nuclear plants by both the Nuclear Regulatory Commission (NRC) and the Institute of Nuclear Power Operations (INPO). It is also one of the lowest producers of low-level radioactive waste in the industry.

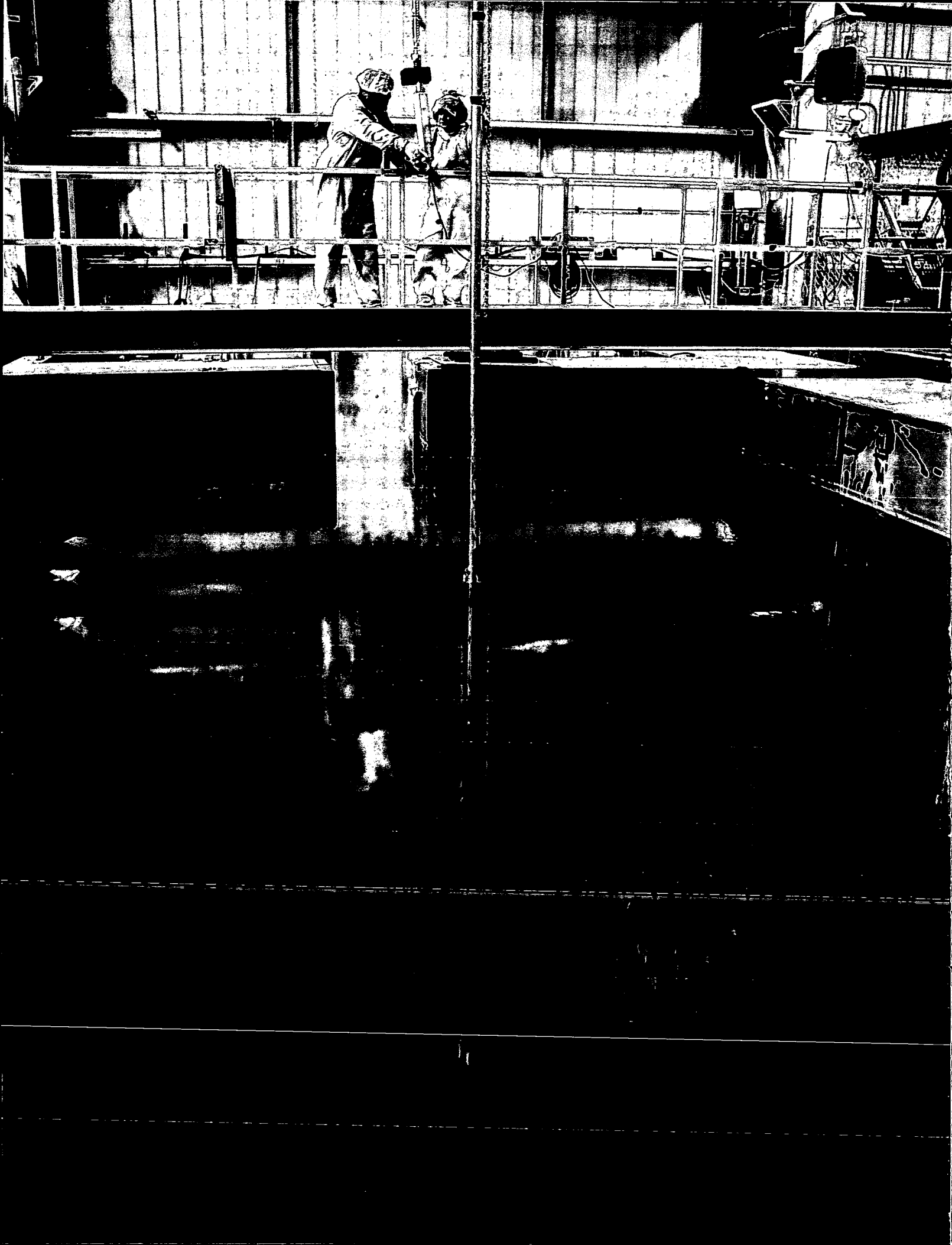
Since startup in 1974, Kewaunee has produced electricity over 83% of the time, the third highest availability factor in the industry. Between June 1981 and April 1982, the plant established a record of 306 consecutive days operation before being shut down for annual refueling.

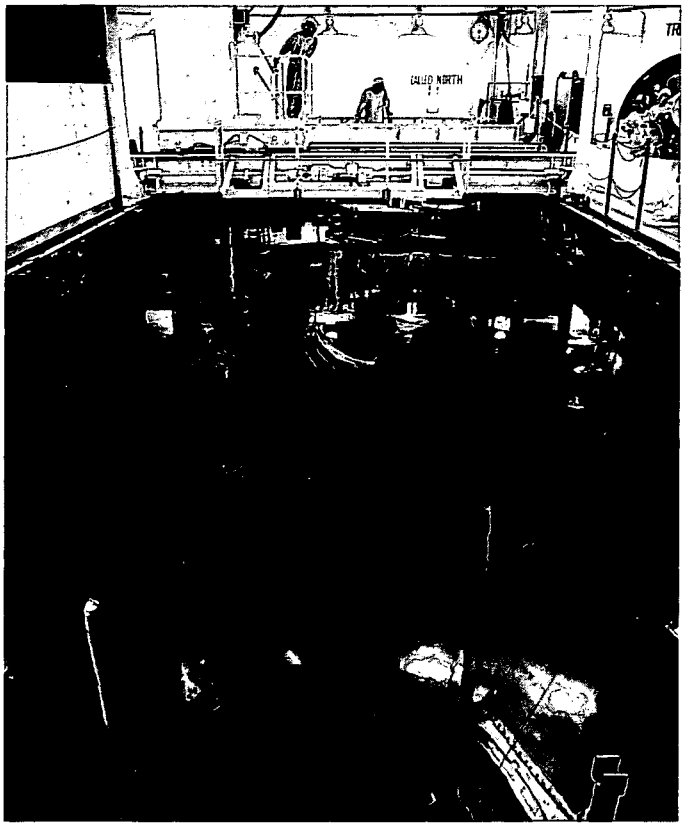
Constant emergency planning and procedures review have won praise from the NRC for the plant's emergency preparedness. Similarly, the plant has earned excellent performance reviews in the NRC's annual "Systematic Assessment of Licensee Performance."

Likewise, INPO, the industry's own watchdog organization, has given Kewaunee consistent high marks for employee and management commitment, performance and responsiveness.

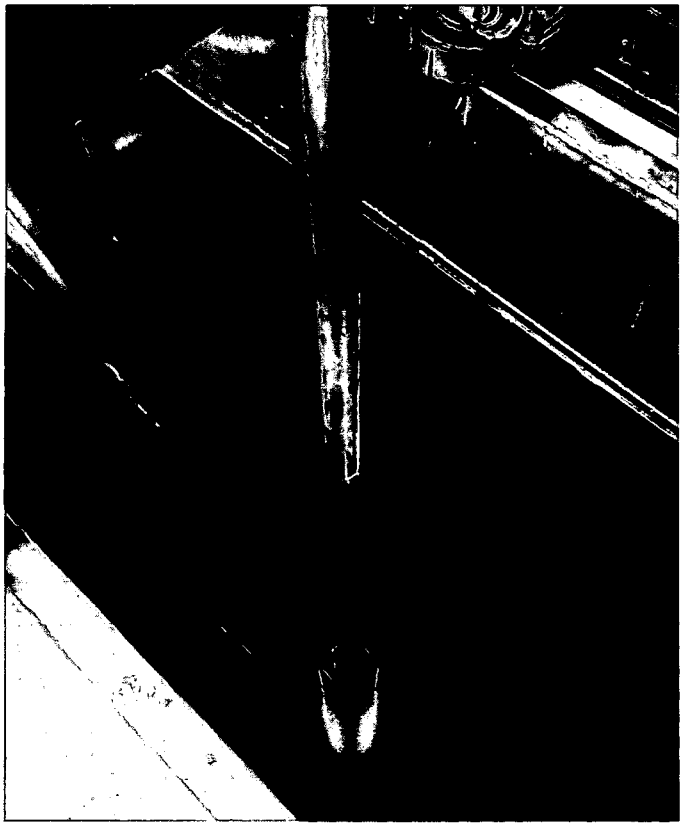
"Here is one company that must have no regrets about its nuclear involvement," said retired Vice Admiral E. P. "Dennis" Wilkinson (above) at the 10-year anniversary festivities at Kewaunee. Wilkinson, retired president of INPO, was the first skipper of the USS Nautilus, the world's first nuclear submarine.

The following pages will give you a brief visual tour through the Kewaunee plant, an outstanding nuclear facility.

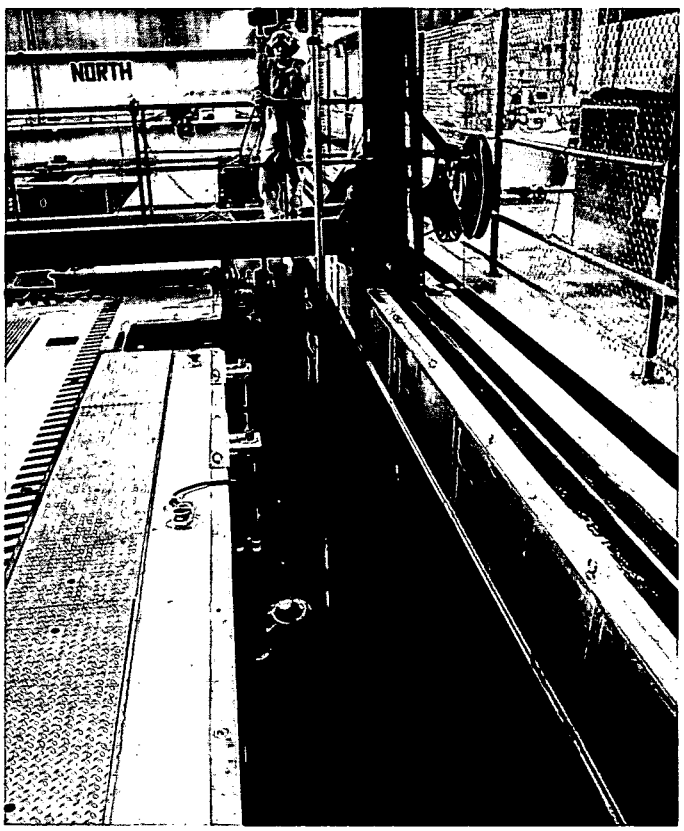




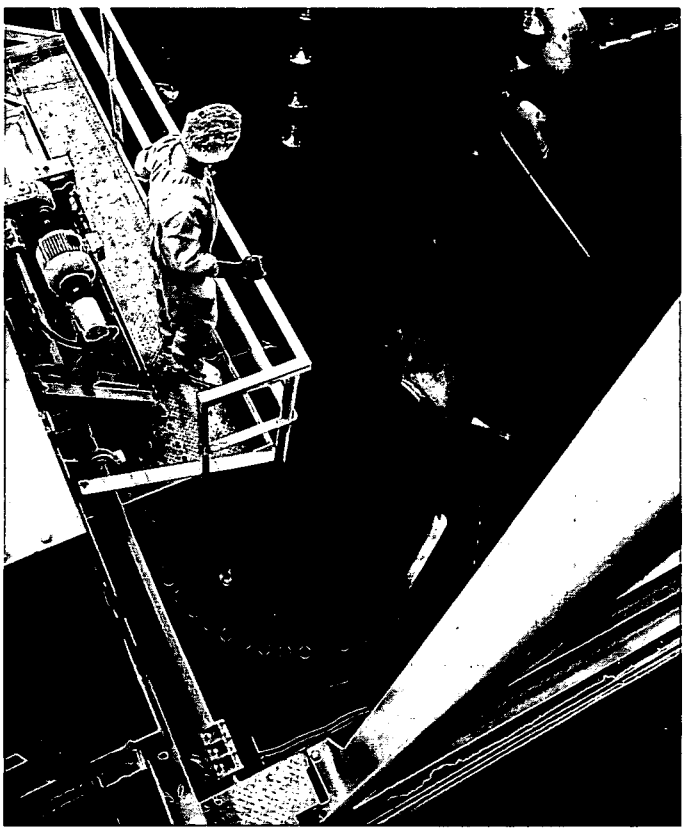
Refueling work offers rare opportunities to see inside the reactor. Here, the reactor and its cover are exposed underwater.



A fuel assembly, one of 121 needed to operate the reactor, is moved toward the reactor where it will be inserted. Each assembly contains enough uranium to make it equivalent to the energy in 350 railroad cars of coal.

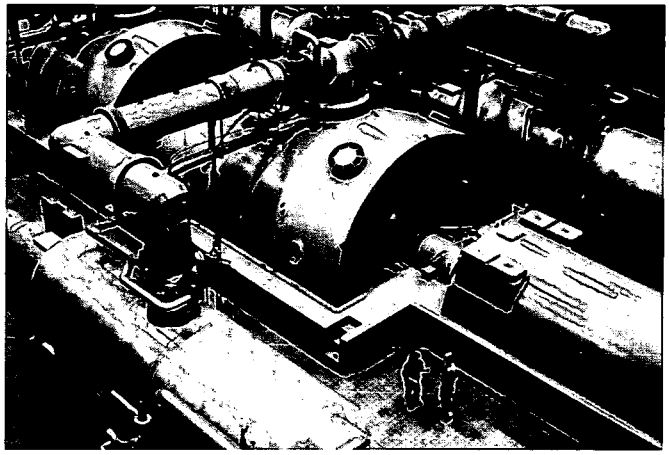


This transfer canal is the route by which fuel assemblies are moved between the reactor and the spent fuel pool. All fuel assemblies are kept underwater to reduce radiation releases into the air.



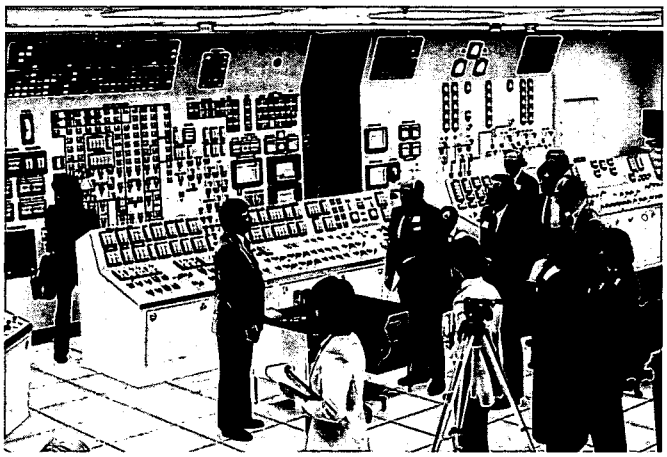
A worker looks into the reactor from an overhead crane used to move fuel assemblies. Each fuel assembly, which contains thousands of small uranium pellets, is used three years.

◄ A fuel element is transferred from the spent fuel pool storage area to the reactor containment building during the annual refueling.

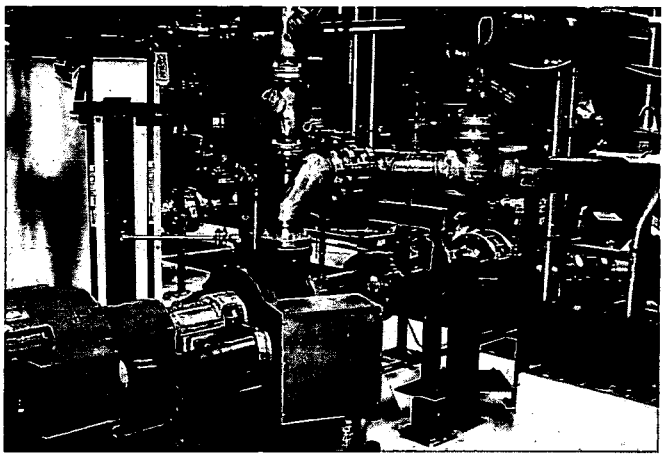


Two employees are dwarfed by the huge 535 megawatt turbine-generator which produces electricity.

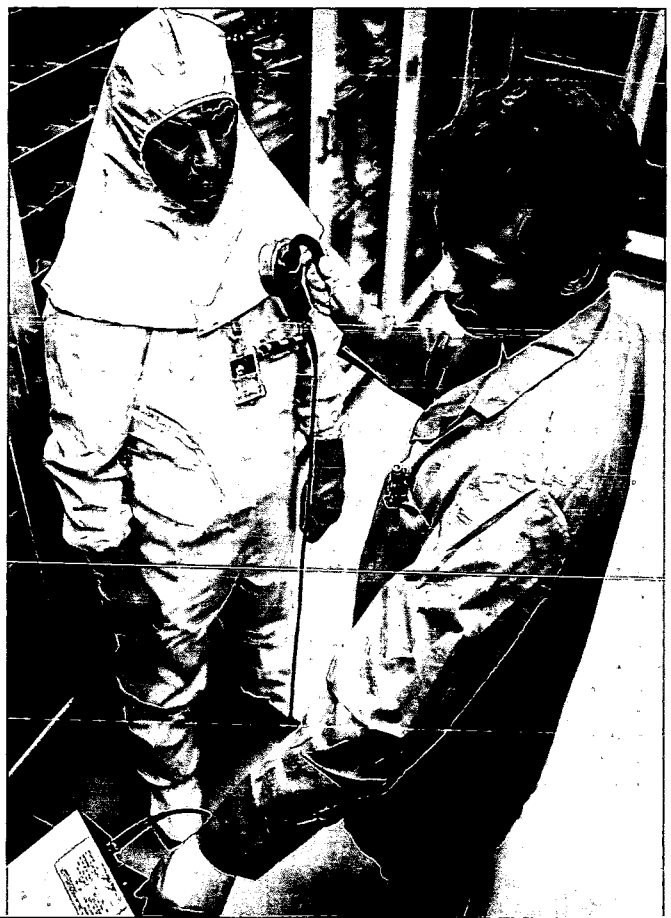
Controls and signals inside the Kewaunee plant's main control room are monitored constantly.



Members of local news organizations tour the new training simulator, a replica of the control room. It is used to train reactor operators.

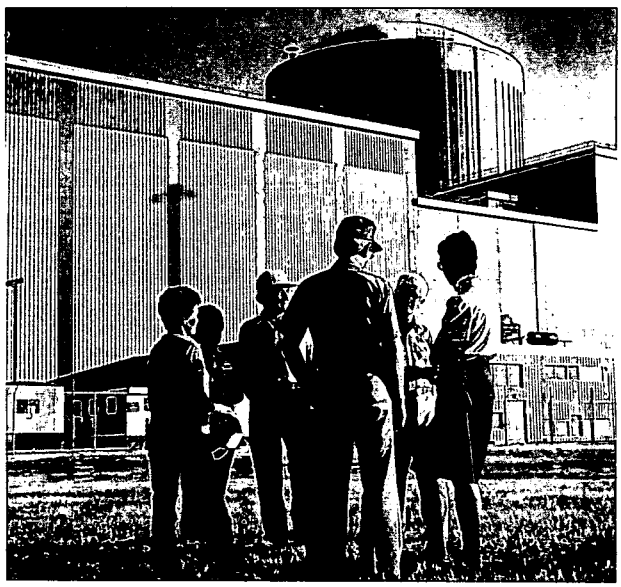


Sparkling clean equipment in all sections of the plant has earned Kewaunee an outstanding reputation for cleanliness in the nuclear industry.



This 30-foot long scheduling board is used to keep track of job assignments during annual refueling and maintenance. Lengthy jobs as well as time sequences as short as 15 minutes are monitored here.

A radiation technologist, left, uses a "frisker" to check for low levels of radioactivity on the protective clothing of an employee. The procedure is done each time a worker leaves a radiologically controlled area.



It was one great big 10th birthday party for the Kewaunee plant. Speeches and tours were held in the morning. Later in the day refreshments were served to hundreds under a bright canopy on the lawn of the nuclear plant.

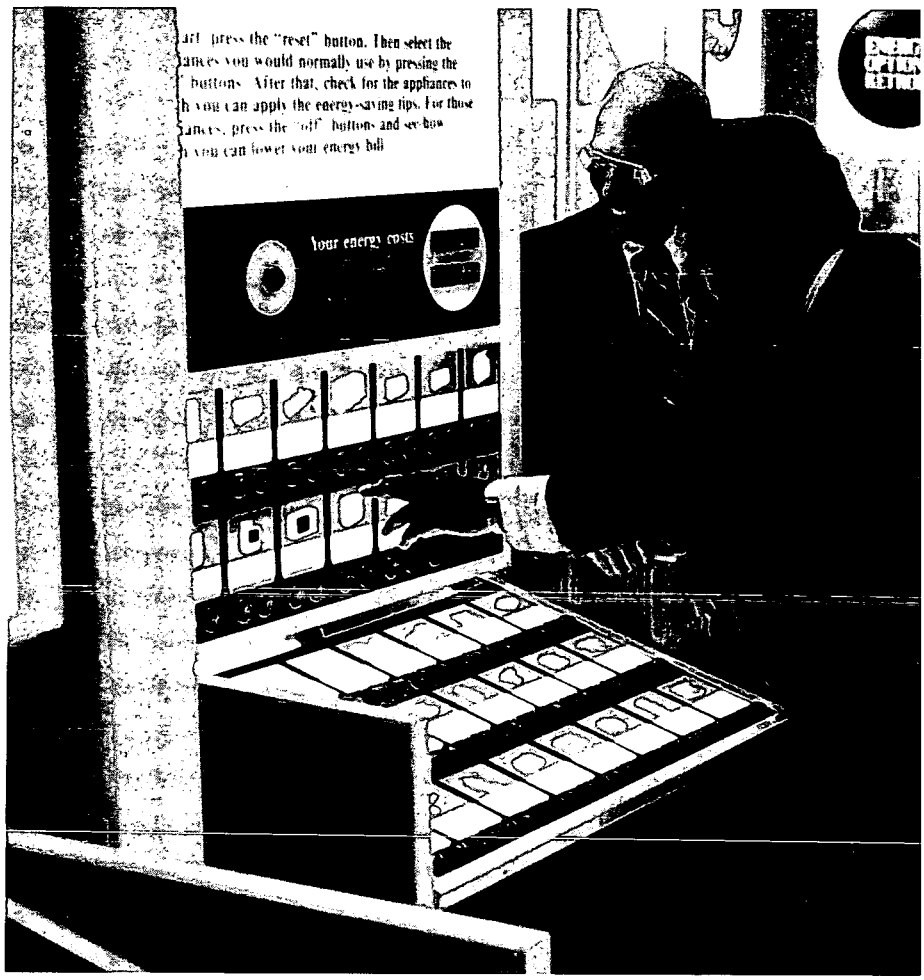
Year in Review

Rate Proceedings

In April 1984, we applied to the Public Service Commission of Wisconsin (PSCW) to increase rates by $11.4 million (3.2%) for electricity and $7.1 million (3.1%) for gas. The increase was sought because our projected rise in expenses in 1985 exceeded growth in forecasted sales. Our prior filing was made in 1982. An amended filing of $21 million for electric and $6.1 million for gas was submitted in August, updating the data and requesting additional depreciation, but the PSCW deferred its consideration of increased depreciation until the next rate case. Hearings have concluded and rates for a decrease in the amount of $11.6 million for electric and an increase of $1.3 million for gas became effective February 1, 1985. The reductions from the amounts originally requested result primarily from changes in accounting policies by the PSCW. This order established rules for the treatment of fuel costs in electric rates. The program sets forth a range of fuel costs. Cost changes that result in actual costs above or below the range may result in rate increases or decreases for the remainder of the year, following hearings by the commission.

An application was filed with the Federal Energy Regulatory Commission (FERC) in August 1983 to increase rates of our wholesale electric customers by $3.9 million (7.5%). The FERC approved a settlement in July 1984 of $1.8 million retroactive to August 1983.

In May, an electric rate increase of $911,000 was obtained in Michigan in response to the company's $1.2 million request which was filed December 1983.



Public Service Commission of Wisconsin Chairman Ness Flores, right, experiments with a home appliance energy use computer at the dedication of the company's new Energy Information Center in Wausau. With him is Don Ames, President of Wisconsin Fuel and Light Company, joint sponsor of the center.

Financial

In February, the company sold $22 million of Pollution Control Revenue Refunding Bonds at 9.7% and in April sold $1 million of Environmental Improvement Revenue Refunding Bonds at 10.125%. These refinanced three-year issues sold in 1981.

Under the sinking fund provisions of the issue, the company redeemed 15,000 shares of its 10.50% preferred stock during 1984. The entire issue of 150,000 shares must be retired by November 1, 1998. To date, about 68,000 shares have been redeemed.

In February 1981, the company negotiated a privately placed sale of $15 million of 10.75% preferred stock maturing in 1991. To date, 10% of the issue has been redeemed.

Coal Power

From now at least through the turn of the century, dependence upon coal-fired plants is expected to increase. With that in mind, the company took steps in 1984 to assure ample future coal supplies at competitive prices and to continue studying the extension of the service life of our two major coal-fired power plants, Pulliam and Weston, located at Green Bay and Wausau, respectively.

Renegotiation of the low-sulfur Western coal contract for our Weston 3 unit achieved a 20% reduction in coal costs. The savings will amount to approximately $6 million over the next three years.

Similarly, our long-term support for railroad competition, specifically from the Powder River coal basin in Wyoming, paid off in 1984. A new

line in Wyoming and Nebraska built by the Union Pacific and the Chicago and North Western railroads has resulted in reduced coal transportation rates. It is estimated that this competition will save $13 million for our customers during the period 1985 through 1987.

We are seeking regulatory approval to build a rail coal unloading facility at our Pulliam plant. Currently, all coal arrives by boat between April and December. This facility would permit lower inventory levels because of year-round deliveries. This alternative, we believe, will provide an estimated saving of $13 million for our customers in the next two decades.

The service life of all the units at our Pulliam plant will be extended by making certain modifications to boiler and turbine components. This renovation work will be done during the next five years. We now plan to begin life extension research at Weston 1 and 2.

Electric System

A new gross electrical demand of 1,256,000 kilowatts was recorded on July 23. The prior peak was 1,223,000 kilowatts on December 22, 1983. The balancing of summer and winter peaks which we have experienced resulted in better utilization of our facilities.

High winds and tornadoes in April did major damage cutting a 27-mile swath through our northern territory. In one district, storms ripped through the area three times in one day. The massive job of restoring power included resetting poles, stringing lines and doing repairs amid thousands of downed trees. The company received favorable comments from customers for the prompt recovery.

Nuclear Power

In addition to celebrating the 10th anniversary of the Kewaunee plant, there were other important nuclear events.

Late in the year we signed a new nuclear fuel enrichment contract with the U.S. Department of Energy (DOE) in Washington. The DOE enriches most nuclear fuel in the U.S. This new contract will reduce our nuclear fuel costs by $1.5 million per year for about the next 10 years. The new price is lower because of growing competition from foreign uranium fuel enrichment facilities.

Wisconsin Electric Power Company and our company are now sharing certain information with respect to the operation of our Kewaunee plant and their Point Beach nuclear plant. This will save time for both of our nuclear plant staffs, prevent duplication and increase information resources.

Construction of a warehouse-office addition to the plant was completed which will enable us to keep more spare parts on site and keep certain parts in a controlled environment.

Hydroelectric Power

Although hydro is only about 4% of our capacity, we try to maximize the generating capacity of our existing plants on a cost-effective basis. During the last year, 2,300 kilowatts of capacity were added.

Fuel Costs and Generation Mix

Based on the cost per million Btu, 1984 prices compared with 1983 prices were as follows: nuclear, $.52, down from $.70; coal, $1.95, down from $1.99; natural gas, $3.94, down from $4.14; and No. 2 fuel oil, $5.95, down from $6.16.

Coal use in 1984 was 68.1%, down from 68.3% in 1983; nuclear was 19.7%, down from 19.9%; hydro was 4.8%, down from 5.7%; natural gas and fuel oil peaking were .3%, down from .4%; and power purchased from other utilities was 7.1%, up from 5.7%. Purchases increased in response to the availability of cheaper power from outside sources.

Natural Gas

In reviewing our natural gas prices and supplies, we see a trend of stability.

Wholesale gas prices remained stable throughout 1984, taking a slight dip in May and returning to late 1982 price levels in November. We expect wholesale rates for natural gas during the 1984-1985 winter to be slightly lower than the year before.

Gas supplies are forecasted to be adequate through the year 2000. This is partly due to an expected annual decrease in demand of 1% to 2% for the next 10 years.

Environmental Issues

Most of the environmental issues facing our company are related to sulfur dioxide emissions from coal-fired power plants.

In 1983, the Wisconsin Department of Natural Resources (DNR) approved a sulfur dioxide emission control plan for Green Bay which established certain limits and resulted in construction of a 377-foot chimney at our Pulliam plant and the use of lower sulfur coal. The stack will be completed in 1985 at a cost of about $11 million.

In 1984, the Wisconsin utilities jointly submitted a sulfur dioxide control plan for the entire state, making Wisconsin one of the first states to set limits on sulfur dioxide discharges. This plan limits the amount of sulfur dioxide emitted from all utility power plants to a maximum of 500,000 tons per year.

With Rockwell International Corp., we and four other utilities began research and testing of a new coal-burning process that could significantly reduce power plant sulfur oxide and nitrous oxide emissions blamed for acid rain. If successful, this new process could bring older coal-fired power plants into compliance with emission regulations at costs lower than existing remedies.

After many years of studies and

Year in Review

Young Michael Pope, Green Bay, whose life was saved in 1983 by company employee Don Campshure, right, looks on as Campshure receives the first "Service to Life" award from Linus Stoll, Senior Vice President-Operations.

hearings, the approval of a fly ash disposal site for our Pulliam plant is still unresolved. The DNR has ruled that a new site is needed and that our proposed site is adequate. These rulings are being appealed in circuit court. The company must still obtain final approval for expenditures and site operation from the PSCW and DNR, respectively. Currently, the ash is being disposed of in a private landfill but use of that site is not a permanent solution.

To protect employees who have every right to know what types of potentially hazardous substances they are working with, we began a hazardous chemical control program. We have identified all chemicals being used and are in the process of restricting their use where possible. Eventually, we intend to train every employee about potential chemical hazards in the workplace.

New Projects

Some innovative projects are being marketed and other ideas are being developed.

The selling of low-sulfur coal to Central Wisconsin industrial customers has produced fuel cost savings for our company of about $1 million. By offering the coal for sale, we benefit from price advantages resulting from larger coal purchases which help reduce the cost of coal for our Weston 3 plant. Consumption of low-sulfur coal also helps cut sulfur emissions in Central Wisconsin.

A major electric utility became the first company to purchase our Facilities System software package. This system provides a computer record of all property needed for the transmission and distribution of electricity and gas to customers. The Facilities System is designed to help increase the speed and decrease the cost of customer service. Domestic and international firms are expressing interest in the system.

Income from our coal and Facilities System software sales is used to reduce customer rates.

To gain more experience in telecommunications, we installed our own fiber optics communication link between our corporate headquarters and our Green Bay Service Center, a distance of five miles. Fiber optics is a laser-based, high-speed digital communications tool that can convey voice as well as data. We and seven other utilities are studying a plan to install fiber optic networks. These networks would be used by the utilities, and spare capacity would be leased to communications companies.

We installed our first wind-powered generator. The unit, which can produce a maximum of 40

Energy circus ringmaster Don Atkins, known as Mr. Voltage, charms youngsters at Westwood Elementary School in Waupaca. He brings his circus of information about electricity and natural gas to students from kindergarten through fifth grade.

kilowatts, is the largest utility-operated wind generator in Wisconsin. We are monitoring the project to determine what future applications this power source may have for our system.

The company has been working with some of its large electric customers evaluating co-generation which involves small scale power plants that we might build and operate to serve the steam and electrical needs of individual customers. We are waiting for a PSCW ruling that would determine the extent and method of our participation.

Economic Development Outlook

Economic development in our service territory moved forward during 1984, particularly in service and paper-related industries.

The largest project, scheduled for 1987, is the Consolidated Papers, Inc. $215 million expansion of their coated paper mill at Biron, near Wisconsin Rapids. Consolidated, also a utility, is one of our wholesale electric customers. The addition will give us a major increase in electric sales.

New growth has the greatest potential to occur in small to medium-sized commercial and industrial firms, as well as in the service sector. Our Partners in Regional Industrial Development program, PRIDE, helps attract those prospects and expansions of existing businesses.

Customer Assistance

Our relationship with our customers is very important to us. That's why we offer a variety of assistance programs.

A multi-faceted approach to helping people pay their bills was designed. The company's energy assistance advisors personally visit the homes of low-income customers with bill-paying problems, link them with company and community aid programs, help them set up payment plans for overdue bills, and sometimes even assist with household budgeting.

Customers with fewer bill-paying problems can fall back on our budget billing program which is growing steadily among all classes of customers, and we offer deferred payment agreements that help them pay large unpaid balances, when necessary.

We conducted meetings with social service, law enforcement, private and volunteer agencies, as well as the PSCW to establish good communication about each party's responsibility when energy emergencies occur in low-income and special needs households.

For customers who visit us in

Year in Review

Oshkosh lineman Rhonald Augsburger lets Todd Berger, of St. Mary's Catholic School, Oshkosh, test some of his safety gear. Augsburger and other line personnel give a popular safety talk called "Path to Ground" at schools throughout the company.

person, we are making several improvements to customer service areas.

In Green Bay, we remodeled a former appliance sales floor into a bill payment area and new location for our division offices. The project features an energy information area, a drive-in window and a night deposit box.

Energy information centers are also being added in three outlying districts.

Energy Conservation

We are reopening applications for our low-income home weatherization program for natural gas customers in 1985. This program provides funds for a one-time energy improvement to lower consumption and bill size, which possibly will reduce the number of recurring requests for energy assistance payments.

Since the program began in 1977, the company has made 2,900 residential energy conservation loans, totaling almost $5 million. During the same period, our home energy checkup program has logged some 65,000 residential audits.

Workshops for institutional concerns and the public sector taught good energy conservation practices and helped these customers apply for energy conservation improvement grants from the state of Wisconsin. Our company also helped participants complete energy checkups of their buildings, a preliminary step in the grant process.

In an effort to see if a utility-sponsored financing plan would improve the rate of energy conservation at businesses and industries, we began offering a loan program of up to $50,000 per business to pay for conservation improvements. The program is one of the first of its kind by a utility in Wisconsin. Customer demand will determine the program's future.

Also new in 1984 was the introduction of our expanded Commercial Energy Analysis program. Information gathered by one of our representatives about each structure is analyzed by computer which produces a report far more detailed than previous business energy checkups.

We also continued our National Energy Watch program, giving recognition to commercial and industrial customers who have made major energy conservation advancements. So far, 126 businesses have been honored since the program began in 1981.

Programs in Our Service Area

We celebrated two important anniversaries of community outreach programs in 1984.

One was the 20th anniversary of the Wisconsin Public Service Foundation Scholarship Program. Through it, we distributed more than $875,000 to 250 students for their college educations. The program is open to children of customers and employees, and awards range from $250 to $6,000.

The other anniversary was our 35th year of support for environmental education at Trees for Tomorrow, Eagle River. Through the years, we have sponsored more than 4,000 high school students, hundreds of teachers and dozens of other groups at the center. We were the first utility to sponsor groups to Trees for Tomorrow, founded by nine paper companies.

Since 1981, the company has supplied more than 7,500 books and pamphlets to schools and public libraries. Working closely with librarians, we select material that meets the needs of students, educators and the public for up-to-date information about utility affairs.

On the entertainment scene, we jointly sponsored two cooking demonstrations in Sheboygan featuring Chef Tell of television fame. As deft at making quips as he was at quiche, he packed in 1,250 fans who also learned of the benefits of cooking with natural gas.

For our little customers — between 6 and 14 years old — we introduced Louie the Lightning Bug. Born at Alabama Power Company, Louie is becoming famous in our territory as a TV personality who teaches safety to children.

Employees

Effective February 1, 1985, Daniel A. Bollom, formerly vice president-treasurer was named to a new post of senior vice president-corporate services. The new organization will include information services, human resources, governmental affairs, corporate communications and telecommunications. Robert D. Valesano's title was changed from assistant vice president-personnel to vice president-human resources. Newly elected officers were Patrick D. Schrickel, vice president-gas engineering and supply and Daniel P. Bittner, treasurer.

Participation in our employee wellness programs has been excellent. Still in the pilot stage, the goal of these programs is to prevent health problems by teaching employees and their families good health habits. So far, some of the more noticeable results include a significant reduction in cigarette smoking and an average weight loss of about six pounds per participant. In the long run, the company hopes to benefit from lower health care expenses, and employees will benefit from better health.

Similarly, our company was the leader in the formation of the Green Bay Employers Coalition on Health Care Management, founded by 14 firms in 1984. The group of major employers is working to curb local health care costs which have risen far faster than the rate of inflation.

Shareholder Information

Common Stock

Listed on New York and Midwest Stock Exchanges. Ticker Symbol: WPS. Transfer Agent and Registrar: First Wisconsin Trust Company, Milwaukee. As of December 31, 1984, there were 31,440 record holders.

Executive Office

700 North Adams Street, P.O. Box 19001, Green Bay, Wisconsin 54307. Telephone (414) 433-1598 for general information.

Annual Shareholders' Meeting

Midway Motor Lodge, 780 Packer Drive, Green Bay, Wisconsin, Thursday, May 2, 1985 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, 1985 to shareholders who make requests to Robert H. Knuth, Secretary, 700 North Adams Street, P.O. Box 19001, Green Bay, Wisconsin 54307.

Preferred Stock

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

Wisconsin Utility Investors

During the year, Wisconsin Utility Investors, Inc. (WUI), expanded its activities and held several regional meetings within Wisconsin to inform its members of pending issues. WUI is an independent, non-profit organization which was founded in 1980 to represent utility investors. In the coming year, WUI intends to increase the number of regional information meetings and invites the participation of all utility investors. For information write: Wisconsin Utility Investors, Inc., 161 W. Wisconsin Avenue, Suite 6173, P.O. Box 654, Milwaukee, Wisconsin 53201.

Directors and Officers

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

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

Richard A. Bemis
President, Bemis
Manufacturing Company,
Sheboygan, 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,
Associated Kellogg Bank,
Green Bay, Wisconsin

Neil J. Webb
Executive Vice President,
Imperial, Inc.,
Green Bay, Wisconsin

OFFICERS

Paul D. Ziemer*
President and
Chief Executive Officer

Daniel A. Bollom*
Senior Vice President,
Corporate Services

James H. Liethen*
Senior Vice President,
Finance

Eugene R. Mathews*
Senior Vice President,
Power Supply
and Engineering

Linus M. Stoll*
Senior Vice President,
Operations

Carl W. Giesler
Vice President,
Power Production

John V. Henderson
Vice President,
Division Operations

Patrick D. Schrickel
Vice President,
Gas Engineering
and Supply

Robert D. Valesano
Vice President,
Human Resources

Alfred E. Pearson
Assistant Vice President,
Rates and Budgets

Daniel P. Bittner
Treasurer

Robert H. Knuth
Secretary and
Assistant Treasurer

*Management Staff

Management's Discussion and Analysis

Trends

Weather has a significant impact on both kilowatt-hour sales and gas therm sales. For the year 1984 compared to the year 1983, heating and cooling degree days each were up approximately 6%. All changes in consumption as discussed herein, except wholesale electric, have been adjusted for weather.

Residential kilowatt-hour sales for 1984 increased approximately 2% with 3,500 customers added compared to 3,600 in 1983.

Kilowatt-hour sales to our small commercial and industrial customers continue to show signs of recovery because of the improved economy within our service area. In 1984, sales increased approximately 5% over 1983.

Large commercial and industrial customers have also experienced significant recovery from 1983. Kilowatt-hour sales for 1984 increased approximately 6% over 1983.

Kilowatt-hour sales to our wholesale customers increased a substantial 12% in 1984 over 1983.

Residential and firm commercial and industrial gas therm sales increased 2% and 1%, respectively, over 1983; interruptible customers used 6% more therms, attributable to the addition of two paper production customers and increased requirements for existing interruptible customers.

Results of Operations

In accordance with regulatory procedures, increases in the cost of electric production fuels and gas purchased for resale resulting from supplier price increases were recovered through operation of the company's automatic fuel adjustment and purchased gas adjustment clauses through 1984. Future recovery will be in accordance with provisions of a recent rate order discussed under "Rate Proceedings" in the "Year in Review" section.

1984 Compared to 1983.
Electric operating revenues increased primarily as a result of increased consumption. Gas operating revenues decreased slightly due to a lower purchased gas cost which is reflected in revenues.

Operating expenses increased only 2% in 1984. The more significant items that increased were total income tax provision due to a higher pre-tax operating income, other operation expense due to higher payroll and employee benefit costs, and straight-line depreciation expense because of higher estimated nuclear decommissioning costs reflected in the depreciation rates in effect all of 1984 and an increased plant base. In addition, maintenance expense increased primarily due to work performed at the company's fossil and peaker plants and purchased power increased as a result of more energy purchases in 1984. The cost of gas purchased for resale decreased due to a lower average price for gas during 1984.

Less long-term debt outstanding during 1984 primarily caused the decrease in total interest expense.

1983 Compared to 1982.
Electric and gas operating revenues increased primarily as a result of Wisconsin retail rate increases effective in March 1983 and May 1982 and also increased sales.

Operating expenses increased 8% in 1983 primarily due to increases in the cost of coal generation including higher coal costs, pension and payroll expenses, the total income tax provision due to a higher pre-tax income, and straight-line depreciation expense because of higher estimated nuclear decommissioning costs reflected in depreciation rates which were authorized by the PSCW effective in July 1983. These increases were partially offset by decreases experienced primarily in lower purchased power expenses as a result of less energy and capacity purchases as well as more capacity sales due to Weston 3 operations and lower costs for nuclear fuel as a result of the change to 1 mill per kilowatt-hour for disposal cost as legislated by the Nuclear Waste Policy Act of 1982.

Less debt outstanding and lower interest rates caused the decrease in total interest expense.

Financial Condition

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 maintained an acceptable ratio of short-term debt to total capitalization.

Recent levels of short-term debt have been higher than they were historically, but are being reduced through internal funds generation. The company has used short-term markets and internal funds to retire long-term debt maturities. Revolving term-loan borrowings of $20 million outstanding at December 31, 1983 were reduced to $10 million at December 31, 1984. A maturing first mortgage bond issue of $9.1 million was retired in October 1984. The $23 million of tax-exempt bonds maturing in April 1984 were refinanced with other tax-exempt bonds.

Funds generated internally during 1984 and 1983 exceeded construction expenditures which continue to be among the lowest in several years. During the period 1985-1989, internal funds generation is expected to exceed construction

requirements. The next major generating plant is not expected to be operational until the late 1990's and significant expenditures for that plant are not planned to start until the mid-1990's. The company has had no plans for new capital offerings during the period 1985 through 1989. However, major acid rain legislation and the need to repurchase company common stock to contain rising equity ratios could change this.

The company's bond ratings are AA+ (Standard & Poor's) and Aaa (Moody's). These ratings are due in part to a strong pre-tax interest coverage of 6.3 times for the year ended December 31, 1984. This favorable coverage ratio resulted from low construction requirements, low allowance for funds used during construction (AFUDC), periodic rate relief, low embedded cost of debt, favorable earnings and strong equity ratios.

Common and preferred shareholders' equity was 65% of long-term capital at December 31, 1984 and has been increasing in recent years. Company management is considering alternatives to stabilize the total equity ratio at this level or lower. In accordance with this philosophy, the company retired $1.5 million of its outstanding 10.75% preferred stock and purchased, for sinking fund purposes, 15% of the original 10.50% preferred stock issue. The Automatic Dividend Reinvestment and Stock Purchase Plan was discontinued after 1983.

The company seeks rate increases as necessary to preserve earnings levels and provide a competitive return for shareholders. In April 1984, an application was filed with the PSCW to increase rates for 1985. An order, effective February 1, 1985, ordered accounting changes, including the flow through of state income tax deferrals and the accrual of AFUDC for the small amount of construction work in progress projected for the 1985 test year. The Commission imputed a 50% cap on the common equity ratio in the determination of rates and reduced the return on equity allowed to 14.75% versus the 15% set out in prior cases. These and other adjustments resulted in a rate decrease which affects future cash flows. This order is discussed under "Rate Proceedings" in the "Year in Review" section.

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. Note 10 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		
	1984	1983	1982
	(Thousands)		
Operating Revenues:			
Electric	$405,420	$389,197	$355,766
Gas	238,771	240,694	228,681
	644,191	629,891	584,447
Operating Expenses:			
Operation —			
Electric production fuels	125,457	127,055	114,688
Gas purchased for resale	198,172	202,770	195,132
Purchased power, net	6,276	4,597	13,152
Other	83,404	78,859	69,160
Maintenance	34,634	32,112	30,755
Depreciation —			
Straight-line provision	45,634	41,873	38,138
Additional depreciation	7,933	17,322	6,090
Taxes —			
Current federal income	34,364	24,851	22,167
Investment credit deferral, net	2,966	501	2,947
Current state income	7,672	6,862	5,470
Property and other	20,313	18,569	17,144
	566,825	555,371	514,843
Operating Income	77,366	74,520	69,604
Other Income and Deductions:			
Gains on bonds reacquired	449	221	421
Income taxes	1,212	535	(195)
Other, net	(2,405)	(665)	389
	(744)	91	615
Income Before Interest Expense	76,622	74,611	70,219
Interest Expense:			
Interest on long-term debt	16,205	19,517	22,418
AFUDC, borrowed funds	(154)	(263)	(191)
Other interest	4,301	3,763	6,085
	20,352	23,017	28,312
Net Income	56,270	51,594	41,907
Preferred Stock Dividend Requirements	5,789	5,974	6,036
Earnings On Common Stock	$ 50,481	$ 45,620	$ 35,871
Earnings Per Share On Common Stock	$4.27	$3.89	$3.14
Dividends Per Share On Common Stock	$2.44	$2.22	$2.04

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

Balance Sheets

	December 31		
	1984	1983	1982
		(Thousands)	
Assets			
Utility Plant (at original cost):			
In service — Electric	$ 988,018	$ 953,706	$ 915,173
Gas	122,352	116,992	111,376
	1,110,370	1,070,698	1,026,549
Less — Accumulated provision for depreciation	494,931	445,823	395,438
	615,439	624,875	631,111
Construction in progress	12,968	10,398	19,646
Nuclear fuel	88,667	78,949	72,347
Less — Accumulated provision for amortization	75,862	68,255	54,232
	12,805	10,694	18,115
Net utility plant	641,212	645,967	668,872
Investments (at cost or less)	10,012	10,290	13,056
Current Assets:			
Cash and special deposits	(4,299)	69	3,274
Customer and other receivables (net of uncollectible reserves)	55,844	52,265	44,984
Accrued utility revenues	29,420	33,534	27,595
Fossil fuel, at average cost	44,416	34,255	40,887
Materials and supplies, at average cost	11,213	10,294	8,146
Prepayments	1,311	1,359	1,182
Total current assets	137,905	131,776	126,068
Deferred Charges	4,167	4,587	6,497
	$ 793,296	$ 792,620	$ 814,493
Capitalization and Liabilities			
Capitalization:			
Common stock equity	$ 321,609	$ 300,093	$ 276,035
Preferred stock with no mandatory redemption	51,200	51,200	51,200
Preferred stock with mandatory redemption	21,684	24,750	25,500
Long-term debt	210,481	222,092	231,601
Total capitalization	604,974	598,135	584,336
Current Liabilities:			
Note payable	10,000	10,000	10,000
Commercial paper	26,470	29,500	36,000
Maturing first mortgage bonds, not to be refinanced	—	9,125	40,000
Preferred stock sinking fund requirements	—	743	308
Accounts payable	54,498	48,982	43,224
Accrued taxes	4,378	7,372	13,506
Accrued interest	4,549	4,226	7,491
Accrued contributions to retirement plans	6,455	6,742	4,682
Other	2,749	2,465	2,231
Total current liabilities	109,099	119,155	157,442
Other Credits:			
Accumulated deferred investment credit	51,872	49,231	48,645
Other	27,351	26,099	24,070
	79,223	75,330	72,715
	$ 793,296	$ 792,620	$ 814,493

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

Statements of Capitalization

			December 31		
			1984	1983	1982
				(Thousands)	
COMMON STOCK EQUITY:					
Common stock, $8 par value, 16,000,000 shares authorized; 11,822,206, 11,822,206 and 11,636,085 shares outstanding, respectively			$ 94,578	$ 94,578	$ 93,089
Premium on capital stock			51,345	51,331	48,179
Retained earnings			175,686	154,184	134,767
Total common stock equity			321,609	300,093	276,035
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
			51,200	51,200	51,200
With mandatory redemption —					
10.50% Series, 81,841, 104,926 and 108,081 shares outstanding, respectively			8,184	10,493	10,808
10.75% Series, 135,000, 150,000 and 150,000 shares outstanding, respectively			13,500	15,000	15,000
Sinking fund requirements			—	(743)	(308)
			21,684	24,750	25,500
LONG-TERM DEBT:					
First mortgage bonds —	Series	Year due			
	10.80%	1983	—	—	40,000
	3¼%	1984	—	9,125	9,125
	7.90%	1984	—	22,000	22,000
	8.50%	1984	—	1,000	1,000
	4⅜%	1987	5,062	5,062	5,062
	4⅜%	1993	8,726	9,086	9,146
	4½%	1994	11,744	12,544	13,019
	6⅜%	1997	23,482	23,482	23,482
	7¼%	1999	24,039	24,039	24,039
	8¼%	2001	25,000	25,000	25,000
	8⅛%	2003	25,000	25,000	25,000
	7⅞%	2005	11,000	11,000	11,000
	8.20%	2012	45,000	45,000	45,000
	9.70%	2014	22,000	—	—
	10⅛%	2014	1,000	—	—
			202,053	212,338	252,873
Maturing first mortgage bonds			—	(32,125)	(40,000)
Unamortized discount and premium on bonds, net			(1,572)	(1,121)	(1,272)
Total first mortgage bonds			200,481	179,092	211,601
Other long-term debt			10,000	20,000	20,000
First mortgage bonds to be refinanced			—	23,000	—
Total long-term debt			210,481	222,092	231,601
Total capitalization			$604,974	$598,135	$584,336

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

Sources of Construction Funds

	Years Ended December 31		
	1984	1983	1982
		(Thousands)	
Funds Generated Internally:			
Net income	$ 56,270	$ 51,594	$ 41,907
Depreciation	53,567	59,195	44,228
Amortization of nuclear fuel	8,897	11,622	17,078
Investment credit deferral, net	2,966	501	2,947
AFUDC	(154)	(263)	(191)
Other	1,021	3,709	3,838
Funds provided from operations	122,567	126,358	109,807
Less – Cash dividends on common and preferred stock	34,703	32,013	29,343
Net funds generated internally	87,864	94,345	80,464
Funds From Outside Financing:			
Sale of first mortgage bonds	23,000	—	—
Redemption and maturities of first mortgage bonds and other long-term debt	(42,125)	(40,000)	—
Bond sinking fund retirements	(1,160)	(535)	(832)
Redemption of preferred stock	(3,809)	(315)	(821)
Sale of common stock	—	4,639	6,785
Net change in commercial paper	(3,030)	(6,500)	(915)
Net funds from outside financing	(27,124)	(42,711)	4,217
Changes In Other Net Current Assets:			
Customer and other receivables	(3,579)	(7,281)	(4,638)
Accrued utility revenues	4,114	(5,939)	(1,589)
Fossil fuel	(10,161)	6,632	(3,753)
Accounts payable	5,516	5,758	(6,686)
Accrued taxes	(2,994)	(6,134)	9,167
Other, net	2,253	(700)	2,632
Changes In Net Deferred Assets	2,091	1,692	(7,969)
Total funds used for construction expenditures and nuclear fuel, excluding AFUDC	57,980	45,662	71,845
AFUDC	154	263	191
Total funds used for construction expenditures and nuclear fuel, including AFUDC	$ 58,134	$ 45,925	$ 72,036

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

Retained Earnings

	Years Ended December 31		
	1984	1983	1982
		(Thousands)	
Balance at Beginning of Year	$154,184	$134,767	$118,626
Add — Net income	56,270	51,594	41,907
Other	(65)	(164)	3,577
	210,389	186,197	164,110
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)	1,062	1,130	1,200
10.75% Series ($10.75 per share)	1,558	1,613	1,613
Cash dividends declared on common stock	28,846	26,033	23,293
	34,703	32,013	29,343
Balance at End of Year	$175,686	$154,184	$134,767

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, 1984, 1983 and 1982, 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, 1984, 1983 and 1982, 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,
February 1, 1985.

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 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. These include the Public Service Commission of Wisconsin (PSCW), the Michigan Public Service Commission (MPSC) and the Federal Energy Regulatory Commission (FERC). The cumulative prior years' effect of adopting full jurisdictional accounting has been recorded as an adjustment to 1982 retained earnings.

(b) Utility Plant — Utility plant is stated at the original cost of construction, which includes an allowance for funds used during construction (AFUDC). Pursuant to an order of the PSCW, AFUDC was recorded (at 7%) only on that portion of construction work in progress (CWIP) in excess of 10% of average annual net investment rate base for the then current calendar year prorated based upon the Wisconsin jurisdictional percentage. In the company's recent rate case requiring changes to be effective in 1985, the PSCW has determined that all CWIP should be subject to AFUDC using a rate based on the company's overall cost of capital.

FERC AFUDC is recorded based on FERC jurisdictional electric construction work in progress at debt and equity percentages based on a FERC order.

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

(c) 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.

(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" below. Amortization and additional depreciation are 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 ultimate disposal which is being recovered through current rates. As required by the Nuclear Waste Policy Act of 1982 (the Act), a contract with the DOE has been signed and quarterly payments are being made to the DOE for the fee related to generation after April 6, 1983. For the nuclear generation prior to April 7, 1983, the company has accrued a sufficient amount in the accumulated provision for amortization to fund the fees payable as required by the Act for ultimate disposal costs of spent nuclear fuel. 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 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.

	December 31		
	1984	1983	1982
		(Thousands)	
Accumulated amortization	$81,003	$73,754	$63,336
Accumulated additional depreciation	(5,141)	(5,499)	(9,104)
Accumulated provisions for amortization of nuclear fuel	$75,862	$68,255	$54,232
Investment in subsidiary	$2,722	$3,602	$6,436

(e) 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.

Effective in 1985, the company will no longer have the automatic electric fuel adjustment clause since the PSCW has ordered the company to use a "cost variance range" approach. The range is based on a specific estimated fuel cost for the upcoming year. If the company's actual fuel costs vary outside this range, a hearing will be held and a rate increase or decrease may result.

(f) Employee Benefit Plans — The company has non-contributory retirement plans covering substantially all employees under which annual contributions are made to an irrevocable trust established to provide retired employees with a monthly payment if conditions relating to age and length of service have been met. It is the company's policy to fund retirement contributions to meet current costs of the plans and to amortize the unfunded prior service costs over approximately 10 years. The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 5½%.

The company also has a self-insured medical plan which provides benefits to employees, retirees and their dependents. The medical expenses for active employees are expensed as incurred. Anticipated post-retirement medical benefits are funded to an irrevocable trust. This funded amount is recognized as expense currently. The unfunded past service costs associated with post-retirement medical benefits are being amortized over approximately 30 years.

The company also has a survivor benefits plan for its employees and retirees. This plan includes a Survivor Income Benefits (SIB) Plan, which provides benefits to survivors of employees and retirees over a period of time, and a Group Life Insurance Plan for those not covered by SIB. The SIB benefits are paid partially through an insurance contract and partially from a trust. All of the Group Life Insurance benefits are paid through the insurance contract. The insurance contract which covers both plans provides that the company will reimburse the insurance company for all claims up to a specific threshold and an administrative fee. Prior to 1984, all benefits for these plans were expensed by the company as benefit claims were paid. In 1984, the company began funding expected SIB benefits to an irrevocable trust. This funded amount is recognized as expense currently. The company is amortizing the unfunded SIB cost for pre-1984 benefits incurred over approximately 10 years. Group Life Insurance costs other than those covered by the SIB plan are expensed as benefit claims are paid.

	1984	1983	1982
		(Thousands)	
Retirement Plans:			
Retirement plans funding (for the year)	$6,458	$6,749	$4,684
Capitalized retirement plan costs	589	686	364
Retirement plan costs expensed	$5,869	$6,063	$4,320
Actuarially computed value of vested benefits*	$87,868	$82,276	$73,413
Actuarially computed value of non-vested benefits*	$10,731	$10,008	$9,157
Net assets available for benefits*	$119,060	$98,222	$75,597
Medical Plan:			
Post-retirement medical plan funding expense	$4,297	$3,722	$2,764
Survivor Benefits:			
SIB funding and group life insurance expense	$1,057	$116	$241
Number of active participants	2,195	2,204	2,129
Number of retired participants	495	371	450

*As of January 1 of each year.

(g) 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 $2,723,000, $1,978,000 and $1,812,000 for the years 1984, 1983 and 1982, respectively, of which insignificant amounts were charged to construction.

Notes to Financial Statements

(h) Depreciation — The company reports depreciation expense on the income statement as a current cost of doing business to reflect an allocation for the use of property. Straight-line depreciation expense is reported in equal amounts over the estimated useful life of the property as approved by the PSCW. Based on an order of the PSCW, the company also reports the deferred taxes applicable to plant and nuclear fuel as additional depreciation expense. For a more complete explanation of additional depreciation, see "Income Taxes" below.

The company's 41.2% ownership share of future decommissioning costs of the Kewaunee nuclear plant is estimated to be $110,987,000. Depreciation rates are adjusted periodically to provide for the recovery of decommissioning costs through rates based on methods prescribed by each of the regulatory jurisdictions.

	1984	1983	1982
Composite depreciation rates (for the year)			
Electric	4.35%	4.16%	3.93%
Gas	4.12%	4.08%	4.04%
Additional depreciation expense (for the year)		(Thousands)	
Federal	$10,044	$15,375	$4,958
State	($2,111)	$1,947	$1,132
Accumulated additional depreciation (end of year)	$127,003	$119,380	$105,598

(i) Income Taxes — Depreciation expense used for federal and state income tax purposes is different from the amounts recorded on the books as straight-line depreciation. There are two major reasons for the differences. First, the period of time over which the taxing authorities allow the cost of assets to be depreciated is shorter than the lives used for straight-line depreciation purposes. Second, the IRS allows some of the depreciation the company would be entitled to in later years to be deducted earlier, a practice known as accelerated depreciation. The estimated reductions in current income taxes paid as a result of these differences are recorded as additional depreciation. The deferral of additional depreciation and the related allocation of such tax benefits over plant life is referred to as normalization.

Certain book-tax depreciation differences have not been normalized; the cumulative tax effect of such differences as of December 31, 1984 is $18,681,000. The ratemaking policies of the jurisdictions which regulate the company provide for recovery of the related future taxes that have not been normalized.

In the company's recent rate case requiring changes to be effective in 1985, the PSCW has determined that the benefits of accelerated provisions for state income taxes previously normalized should be flowed through to the current ratepayers. Thus, additional depreciation for the retail jurisdiction related to state income taxes will no longer be recorded, and the accumulated additional depreciation related to state income taxes as of December 31, 1984 which amounts to $8,155,000 is to be amortized to income over the next 17 years for the retail jurisdiction.

When plant is added, the IRS allows a credit (known as investment tax credit) against income tax due for 10% of the cost of the asset. The company recognizes the tax benefit from this credit over the life of the property involved through a procedure called normalization.

The effective income tax rates are computed by dividing total income tax expense, including net investment credit deferral and additional depreciation, by the sum of such expense and net income.

	1984		1983		1982	
	(Thousands except for percentages)					
	Amount	Rate	Amount	Rate	Amount	Rate
Statutory federal income tax	$49,677	46.0%	$46,274	46.0%	$36,237	46.0%
State income taxes and state additional depreciation, net	1,965	1.8	4,576	4.5	3,414	4.3
Investment credit restored	(3,150)	(2.9)	(2,942)	(2.9)	(2,723)	(3.4)
Other differences, net	3,231	3.0	1,094	1.1	(59)	(.1)
Effective income tax	$51,723	47.9%	$49,002	48.7%	$36,869	46.8%

(j) Leases — The company has numerous lease agreements, most of which are for terms of less than 3 years. Unit train leases have various terms of up to 16 years with renewal provisions of up to 6 years when the lease expires.

Because the company has no material capital leases, all of the rents paid in connection with existing lease arrangements are treated as operating expenses as incurred. During 1984 the company expensed $1,908,000 for leases which have more than a one month term. It is anticipated that the company will make the following lease payments on these leases in the future:

1985	$1,549,000	1989	$555,000
1986	$1,089,000	Later Years	$2,139,000
1987	$846,000		
1988	$747,000		$6,925,000

(k) Earnings Per Share — Earnings per share on common stock are computed on the basis of the weighted average number of shares outstanding (11,822,206, 11,727,031 and 11,419,269 shares for 1984, 1983 and 1982, respectively).

(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, 1984 is as follows:

	Columbia Energy Center	Edgewater Unit No. 4	Kewaunee
		(Thousands except for percentages)	
Ownership	31.8%	31.8%	41.2%
Utility plant in service	$104,114	$15,462	$107,129
Accumulated provision for depreciation	$47,700	$8,737	$64,557

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.

The company is not currently engaged in any major construction projects. Utility plant construction expenditures for 1985 are estimated to be about $60,308,000.

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

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

	1984	1983	1982
		(Thousands except for percentages)	
As of end of year —			
Discount rate on outstanding commercial paper	8.2% to 8.7%	9.7% to 9.9%	8.3% to 8.8%
Interest rate on note payable	7.6%	9.1%	8.3%
Unused lines of credit	$39,325	$39,105	$42,645
Compensating balance requirements	$426	$505	$915
For the year —			
Maximum amount of borrowings	$58,000	$53,560	$58,515
Average amount of borrowings	$39,541	$39,863	$45,246
Weighted average interest rate on borrowings	10.4%	9.1%	12.1%

The company has financing agreements with commercial banks that permit the company to borrow up to $24,600,000 at any time provided compliance with certain financial covenants is maintained. These agreements extend for thirteen months or more. Fees are payable on any unused portion of these commitments. As of December 31, 1984, $10,000,000 was borrowed under these agreements.

Notes to Financial Statements

(4) 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 166⅔% of the annual requirements.

The following information relates to sinking fund and maturity requirements on long-term debt outstanding as of December 31, 1984:

	1986	1987	1988	1989
		(Thousands)		
Sinking fund requirements	$1,540	$1,780	$1,780	$1,780
Maturing first mortgage bonds	—	5,062	—	—
Total	$1,540	$6,842	$1,780	$1,780

As of December 31, 1984, the company had satisfied all of its sinking fund requirements due in 1985 and $310,000 of those due in 1986.

During the first quarter of 1984, $22,000,000 of 9.7% and $1,000,000 of 10⅛% First Mortgage Bonds due in 2014 were issued to refinance the $23,000,000 of First Mortgage Bonds issued in 1981. The $23,000,000 of First Mortgage Bonds due April 15, 1984 was classified as long-term debt at December 31, 1983 since the company had a financing agreement which extended to June 1985 allowing the company, at its option, to enter into a long-term arrangement for currently existing short-term obligations.

(5) 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 1984, the company redeemed 15,000 shares to meet the sinking fund requirements, as well as 8,085 shares to meet future sinking fund requirements. In each of the years 1983 and 1982, 7,500 shares of this Series were retired to meet the mandatory sinking fund requirements.

In 1984, the company also repurchased 15,000 shares of its 10.75% Series Preferred Stock, which has a mandatory redemption date of May 1, 1991.

(6) COMMON STOCK: There were no new issues in 1984. During 1983 and 1982 increases in outstanding common stock, $8 par value, were:

	Automatic Dividend Reinvestment and Stock Purchase Plan		Tax Credit Employee Stock Ownership Plan and Trust (TRASOP)	
	Number of Shares	Amount	Number of Shares	Amount
1983	186,121	$4,639,043	—	—
1982	223,189	4,480,325	104,156	$2,304,452

Increases in premium on capital stock during these years are attributable to the excess over par value received for these shares and gains on preferred stock redemptions.

During 1984 and 1983, the shares needed for TRASOP were purchased on the open market.

Effective January 1, 1984, the Automatic Dividend Reinvestment and Stock Purchase Plan was discontinued.

(7) 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 one contract and a percentage of coal used at two of the company's steam plants through 2002 under another contract. For the second contract, there is an annual adjustment to the percentage the company must buy. The minimum amount of payments the company would have to make for these two contracts is:

1985	$3,375,000
1986	$3,400,000
1987	$2,625,000
1988	$2,975,000
1989	$3,150,000
1990-2002	$14,000,000

The company's total purchases under these agreements were $12,777,000 in 1984, $9,921,000 in 1983 and $7,152,000 in 1982.

(8) SEGMENTS OF BUSINESS:

The following table presents information for the respective years pertaining to the company's operations segmented by lines of business. The following information does not represent ratemaking treatment since the company is regulated by three jurisdictions with differing ratemaking practices.

	1984			1983			1982		
				(Thousands)					
	Electric	Gas	Total	Electric	Gas	Total	Electric	Gas	Total
Operating revenues	$405,420	$238,771	$644,191	$389,197	$240,694	$629,891	$355,766	$228,681	$584,447
Operating expenses—									
Operation and maintenance	229,383	218,560	447,943	223,373	222,020	445,393	210,965	211,922	422,887
Straight-line depreciation	40,877	4,757	45,634	37,386	4,487	41,873	33,881	4,257	38,138
Property and other taxes	17,733	2,580	20,313	16,367	2,202	18,569	15,122	2,022	17,144
	287,993	225,897	513,890	277,126	228,709	505,835	259,968	218,201	478,169
Operating income before income taxes	117,427	12,874	130,301	112,071	11,985	124,056	95,798	10,480	106,278
Total AFUDC	154	—	154	263	—	263	191	—	191
Provisions for income tax (a)	47,738	5,197	52,935	44,897	4,639	49,536	33,267	3,407	36,674
Operating income including AFUDC	$ 69,843	$ 7,677	$ 77,520	$ 67,437	$ 7,346	74,783	$ 62,722	$ 7,073	69,795
Other income, net			(744)			91			615
Interest expense			20,506			23,280			28,503
Net income			$ 56,270			$ 51,594			$ 41,907
Identifiable assets (b)	$685,754	$103,461	$789,215	$678,859	$108,682	$787,541	$704,238	$102,125	$806,363
Assets not allocated (c)			4,081			5,079			8,130
Total assets			$793,296			$792,620			$814,493
Construction and nuclear fuel expenditures including AFUDC	$ 52,432	$ 5,702	$ 58,134	$ 41,173	$ 4,752	$ 45,925	$ 65,040	$ 6,996	$ 72,036

(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(i).

(b) At December 31 and net of the respective accumulated provisions for depreciation.

(c) Primarily includes cash, nonutility property and other receivables.

Notes to Financial Statements

(9) QUARTERLY FINANCIAL INFORMATION (Unaudited):

	Three Months Ended (Thousands except for per share data)			
	1984			
	Mar.	June	Sept.	Dec.
Operating revenues	$202,784	$142,136	$131,308	$167,963
Net income	$21,195	$11,194	$11,345	$12,536
Earnings on common stock	$19,707	$9,719	$9,918	$11,137
Average number of shares of common stock outstanding	11,822	11,822	11,822	11,822
Earnings per average share on common stock	$1.67	$.82	$.84	$.94
	1983			
	Mar.	June	Sept.	Dec.
Operating revenues	$177,484	$144,054	$134,386	$173,967
Net income	$13,378	$13,077	$11,939	$13,200
Earnings on common stock	$11,883	$11,582	$10,445	$11,710
Average number of shares of common stock outstanding	11,638	11,702	11,766	11,800
Earnings per average share on common stock	$1.02	$.99	$.89	$.99
	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 on common stock	$.92	$.46	$.72	$1.04

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

(10) CONSTANT DOLLAR INFORMATION (Unaudited): The following supplementary information is presented in response to FASB Statement No. 33, Financial Reporting and Changing Prices which was amended by FASB Statement No. 82 providing certain information on the effects of inflation on the company. In issuing these Statements, 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 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 was not used to report the effects of inflation since there is no difference in earnings on common stock as adjusted under the two methods because of the affects of the regulatory process.

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

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 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, 1984

(Thousands of average 1984 dollars)

	Constant Dollar
Earnings on common stock — historical	$50,481
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	(42,902)
Reportable as an adjustment to recoverable cost	12,323
Offsetting effect of debt financing	18,374
Net effect on common shareholders' equity	(12,205)
Earnings on common stock — as adjusted	$38,276

At December 31, 1984, the net recoverable amount of utility plant was $641,212,000.

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

	1984	1983	1982	1981	1980
	(Adjusted amounts in average 1984 dollars)				
Operating revenues (1)					
Historical cost	$644,191	$629,891	$584,447	$492,262	$436,435
As adjusted	644,191	656,699	628,922	562,198	550,142
Earnings on common stock (1)					
Historical cost	$50,481	$45,620	$35,871	$33,438	$30,808
As adjusted	38,276	35,098	25,819	14,419	5,030
Earnings per share					
Historical cost	$4.27	$3.89	$3.14	$3.00	$2.83
As adjusted	3.24	2.99	2.26	1.30	.46
Common stock equity, December 31 (1)					
Historical cost	$321,609	$300,093	$276,035	$253,078	$235,997
As adjusted	317,024	307,608	293,688	279,689	284,128
Return on average common shareholders' equity					
Historical cost	16.2%	15.9%	13.9%	13.9%	13.6%
As adjusted	12.3	11.8	9.3	5.2	1.8
Offsetting effect of debt financing (1)	$18,734	$21,092	$24,304	$45,449	$58,372
Cash dividends per share					
Historical cost	$2.44	$2.22	$2.04	$1.89	$1.77
As adjusted	2.44	2.31	2.20	2.16	2.23
Market price per share, December 31					
Historical cost	$31.25	$27.75	$23.75	$18.63	$15.63
As adjusted	30.80	28.44	25.27	20.59	18.82
Average Consumer Price Index	311.1	298.5	289.3	272.4	246.8

(1) Thousands

Financial Statistics

Statements Of Income (Thousands)

	1984	1983	1982	1981	1980	1979	1974
Operating Revenues:							
Electric	$405,420	$389,197	$355,766	$294,509	$263,806	$248,663	$120,761
Gas	238,771	240,694	228,681	197,753	172,629	133,349	52,968
	644,191	629,891	584,447	492,262	436,435	382,012	173,729
Operating Expenses:							
Operation —							
Electric production fuels	125,457	127,055	114,688	88,400	85,256	78,942	37,064
Gas purchased for resale	198,172	202,770	195,132	166,787	142,519	103,680	33,120
Purchased power, net	6,276	4,597	13,152	20,333	12,429	5,980	4,541
Other	83,404	78,859	69,160	59,005	51,103	43,954	22,009
Maintenance	34,634	32,112	30,755	25,571	21,742	19,135	10,377
Depreciation —							
Straight-line provision	45,634	41,873	38,138	29,685	27,725	26,992	14,975
Additional depreciation	7,933	17,322	6,090	8,269	5,489	7,973	8,300
Taxes —							
Current federal income	34,364	24,851	22,167	7,257	10,943	20,897	3,370
Net investment credit	2,966	501	2,947	11,616	11,380	6,877	773
Current state income	7,672	6,862	5,470	2,473	3,492	4,339	(755)
Property and other	20,313	18,569	17,144	15,566	12,814	12,591	10,238
	566,825	555,371	514,843	434,962	384,892	331,360	144,012
Operating Income	77,366	74,520	69,604	57,300	51,543	50,652	29,717
Other Income and Deductions:							
AFUDC, other funds*	—	—	—	472	777	—	5,143
Gains on bonds reacquired	449	221	421	405	383	352	471
Income taxes	1,212	535	(195)	(544)	(154)	40	10
Other, net	(2,405)	(665)	389	1,002	295	(27)	121
	(744)	91	615	1,335	1,301	365	5,745
Income Before Interest Expense	76,622	74,611	70,219	58,635	52,844	51,017	35,462
Interest Expense:							
Interest on long-term debt	16,205	19,517	22,418	21,224	16,501	14,189	13,778
AFUDC, borrowed funds*	(154)	(263)	(191)	(8,941)	(3,798)	(537)	—
Other interest	4,301	3,763	6,085	7,270	4,689	2,148	2,467
	20,352	23,017	28,312	19,553	17,392	15,800	16,245
Net Income	56,270	51,594	41,907	39,082	35,452	35,217	19,217
Preferred Stock Dividend Requirements	5,789	5,974	6,036	5,644	4,633	4,786	3,286
Earnings On Common Stock	$ 50,481	$ 45,620	$ 35,871	$ 33,438	$ 30,819	$ 30,431	$ 15,931
INCOME STATISTICS							
Common Stock:							
Shares outstanding, Dec. 31	11,822,206	11,822,206	11,636,085	11,308,740	11,048,865	10,873,773	9,589,734
Shares outstanding, Avg.	11,822,206	11,727,031	11,419,269	11,129,940	10,905,032	10,826,770	9,050,008
Earnings per share†	$4.27	$3.89	$3.14	$3.00	$2.83	$2.81	$1.76
Dividends paid per share	$2.44	$2.22	$2.04	$1.89	$1.77	$1.67	$1.28
Times Interest Earned:							
Before income taxes	6.27	5.32	3.76	3.43	4.15	5.65	2.39
After income taxes	3.74	3.22	2.47	2.37	2.67	3.16	2.18
Times Interest and Preferred Dividends Earned	2.92	2.56	2.04	1.98	2.19	2.44	1.82

*AFUDC is split between debt and equity portions beginning in 1977.
†Based on weighted average shares outstanding.

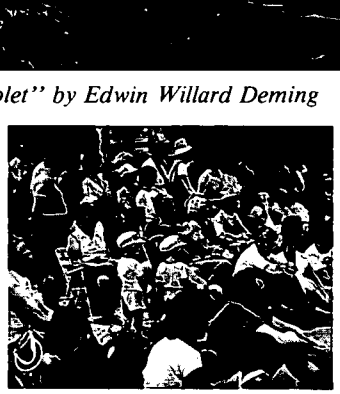
Balance Sheets (Thousands)

	1984	1983	1982	1981	1980	1979	1974
Assets							
Utility Plant:							
Electric	$1,000,596	$ 963,787	$ 933,052	$885,448	$791,320	$682,283	$482,852
Gas	122,742	117,309	113,143	103,859	101,244	103,217	85,587
	1,123,338	1,081,096	1,046,195	989,307	892,564	785,500	568,439
Less —							
Accumulated depreciation	494,931	445,823	395,438	350,253	315,156	287,105	150,447
	628,407	635,273	650,757	639,054	577,408	498,395	417,992
Nuclear fuel, net	12,805	10,694	18,115	16,839	16,875	16,305	5,865
Net utility plant	641,212	645,967	668,872	655,893	594,283	514,700	423,857
Investments	10,012	10,290	13,056	14,475	11,889	12,137	5,354
Current assets	137,905	131,776	126,068	118,203	105,970	85,979	40,260
Deferred charges	4,167	4,587	6,497	8,464	7,109	2,955	2,775
Total assets	$ 793,296	$ 792,620	$ 814,493	$797,035	$719,251	$615,771	$472,246
Capitalization and Liabilities							
Common stock and premium	$ 145,923	$ 145,909	$ 141,268	$134,452	$129,891	$126,971	$105,163
Retained earnings	175,686	154,184	134,767	118,626	106,106	94,610	48,347
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	21,684	24,750	25,500	26,250	12,000	12,750	15,000
Long-term debt	210,481	222,092	231,601	272,283	280,313	217,398	196,686
Total capitalization	604,974	598,135	584,336	602,811	579,510	502,929	416,396
Short-term borrowings	36,470	39,500	46,000	46,915	15,970	10,000	26,500
Bond sinking fund requirements and maturing first mortgage bonds	—	9,125	40,000	—	—	2,380	—
Other liabilities and credits	151,852	145,860	144,157	147,309	123,771	100,462	29,350
Total capitalization and liabilities	$ 793,296	$ 792,620	$ 814,493	$797,035	$719,251	$615,771	$472,246
Book Value Per Share, Dec. 31	$27.20	$25.38	$23.72	$22.38	$21.36	$20.38	$16.01
Return On Average Equity	16.2%	15.9%	13.9%	13.9%	13.6%	14.3%	11.0%
Capitalization Ratios							
Common stock and premium	24.1	24.4	24.2	22.3	22.4	25.3	25.3
Retained earnings	29.0	25.8	23.1	19.7	18.3	18.8	11.6
Preferred stock	12.1	12.7	13.1	12.8	10.9	12.7	15.9
Long-term debt	34.8	37.1	39.6	45.2	48.4	43.2	47.2
Percent Long-Term Debt to Net Utility Plant	32.8	34.4	34.6	41.5	47.2	42.2	46.4
Average Bond Rate	7.6	7.2	7.7	7.7	7.7	7.0	6.9
Average Preferred Stock Rate	7.6	7.8	7.8	7.8	7.2	7.2	7.3
Shareholders — Common stock	31,440	33,857	34,803	35,333	36,704	37,589	39,250
Preferred stock	6,553	6,885	7,267	7,628	8,006	8,434	8,974
Number of Employees, Dec. 31	2,390	2,267	2,204	2,116	1,969	1,875	1,865

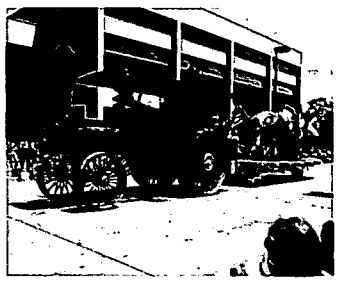
Operating Statistics

	1984	1983	1982	1981	1980	1979	1974
Electric Operations							
Operating Revenues (Thousands):							
Residential	$135,833	$132,810	$121,548	$103,050	$ 91,093	$ 84,217	$ 43,489
Commercial and industrial	209,468	201,037	179,857	152,153	132,963	127,461	66,651
All other	60,119	55,350	54,361	39,306	39,750	36,985	10,621
Total electric revenues	$405,420	$389,197	$355,766	$294,509	$263,806	$248,663	$120,761
Kwh Sales (Thousands)	7,469,964	7,113,304	6,809,880	6,794,926	6,681,319	6,636,006	4,776,302
Number of Customers, Dec. 31:							
Residential	267,461	263,362	259,769	256,882	252,583	248,557	215,172
Commercial and industrial	29,702	29,228	28,172	27,833	26,484	25,917	24,287
All other	475	450	1,029	1,023	1,009	993	876
Total electric customers	297,638	293,040	288,970	285,738	280,076	275,467	240,335
Annual Average Use (Kwh):							
Residential	7,269	7,219	7,069	7,235	7,228	7,175	6,366
Commercial and industrial	138,244	133,442	129,755	134,713	134,328	140,269	118,543
Average Kwh Price (Cents):							
Residential	7.05	7.04	6.66	5.59	5.03	4.78	3.23
Commercial and industrial	5.14	5.19	4.95	4.16	3.78	3.54	2.33
Production Data:							
System Capacity (Kw):							
Steam	1,269,240	1,269,240	1,269,240	1,269,240	957,640	967,640	632,440
Nuclear	221,000	221,000	221,000	221,000	221,000	221,000	221,000
Hydraulic	64,236	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	156,200
Diesel	4,000	4,000	4,000	4,000	4,000	4,000	7,000
Wind turbine	40	—	—	—	—	—	—
Total	1,714,716	1,712,596	1,712,596	1,712,596	1,400,996	1,410,996	1,078,796
Interest in Wisconsin River Power Company	11,667	11,667	11,667	11,667	11,667	11,667	11,667
Total system capacity	1,726,383	1,724,263	1,724,263	1,724,263	1,412,663	1,422,663	1,090,463
Generation and Purchases (Thousands of Kwh):							
Steam	5,443,590	5,246,683	4,685,171	4,387,774	4,783,306	4,862,769	3,600,419
Nuclear	1,569,519	1,527,660	1,577,139	1,553,941	1,496,685	1,417,890	658,296
Hydraulic	307,911	348,813	319,895	300,794	292,919	338,760	301,066
Purchases – Wisconsin River Power Company	76,855	85,753	76,563	71,487	76,957	78,560	62,952
Other	572,702	448,509	700,240	998,606	584,980	432,285	612,499
Total	7,970,577	7,657,418	7,359,008	7,312,602	7,234,847	7,130,264	5,235,232
System peak – firm (Kw)	1,202,900	1,166,000	1,101,000	1,132,800	1,106,600	1,103,700	842,000
Annual load factor	73.57%	72.67%	74.90%	72.80%	72.26%	70.50%	67.54%
Gas Operations							
Operating Revenues (Thousands):							
Residential	$ 97,114	$ 97,053	$ 89,908	$ 74,969	$ 66,507	$ 51,820	$ 23,178
Commercial and industrial	139,662	141,314	136,445	120,862	103,335	80,130	29,653
All other	1,995	2,327	2,328	1,922	2,787	1,399	137
Total gas revenues	$238,771	$240,694	$228,681	$197,753	$172,629	$133,349	$ 52,968
Therm Sales (Thousands)	470,912	460,488	482,490	484,993	515,738	531,178	551,374
Number of Customers, Dec. 31:							
Space heating	147,646	144,332	142,440	140,576	137,737	132,171	117,892
All other	9,376	10,423	10,701	11,322	12,176	14,074	17,988
Total gas customers	157,022	154,755	153,141	151,898	149,913	146,245	135,880

"Wisconsin Landfall of Jean Nicolet" by Edwin Willard Deming






350th BIRTHDAY. The sound of foot-stomping fiddlers. The soft beauty of a hand-sewn quilt. The smell of freshly baked cakes at an ice cream social.

These were some of the ways the Green Bay area's 350 years of history mixed in the senses of residents during the summer of 1984.

It was the area's 350th birthday, and everyone was invited.

Celebrations commemorated the day in 1634 when Jean Nicolet, emissary of Governor Samuel de Champlain of New France, landed on the shore of Lake Michigan's Green Bay at an area known locally as Red Banks. That event marked the coming of Europeans to Green Bay and Wisconsin.

There were no towns or cities or villages back then. No surveyor's boundary line restricted Nicolet's historic landing to this municipality or that. So when it came to celebrating, all area communities and groups shared in preparing for and participating in the festivities.

If the events made one point, it was that our past is the foundation of our society. Understanding our past and appreciating our forebears instills in everyone a deeper feeling of how important the early settlers were to the Green Bay community.

Awareness of this history was at its peak last summer, and it is certain that memories of the celebration will live long in the hearts of children and adults alike.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