Wisconsin Electric
POWER COMPANY

231 W. Michigan, P.O. Box 2046, Milwaukee, WI 53201-2046 (414) 221-2345

April 15, 1993

Director of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Ladies and Gentlemen:

In accordance with 10 C.F.R. Section 50.71, enclosed is the 1992 annual report to stockholders of Wisconsin Electric Power Company, which includes certified financial statements. Such annual report accompanies Wisconsin Electric's definitive information statement, which is being mailed to stockholders today.

Wisconsin Electric Power Company is the holder of Facility Operating License Nos. DPR-24 and DPR-27 issued by your Commission under Dockets 50-226 and 50-301, respectively.

Very truly yours,

Ann Marie Brady
Assistant Secretary

KHE/bjm
Enclosure
pro\arpt-we

cc: Mr. Gerald Charnoff
Shaw, Pittman, Potts & Trowbridge
2300 N Street, N.W.
Washington, DC 20037

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Wisconsin Electric
POWER COMPANY

231 W. Michigan, P.O. Box 2046, Milwaukee, WI 53201 (414) 221-2345

April 15, 1993

Dear Stockholder:

Wisconsin Electric Power Company will hold its annual meeting of stockholders at 9:00 a.m. on Tuesday, May 11, 1993 at the Public Service Building, 231 West Michigan Street, Milwaukee, Wisconsin. We are not soliciting proxies for this meeting, as about 97% of Wisconsin Electric's voting stock is owned and will be voted by its parent company, Wisconsin Energy Corporation. You may, if you wish, attend the meeting and vote your shares of preferred stock; however, it will be a short business meeting only.

On behalf of the directors and officers of Wisconsin Energy, I cordially invite you to attend Wisconsin Energy's annual meeting to be held Wednesday, May 12, 1993 at 1:30 p.m. This year, the Wisconsin Energy meeting will be held at a new site, the Bradley Center, which is located at 1001 North Fourth Street in downtown Milwaukee, Wisconsin. By attending this meeting, you will have the opportunity to meet many of the Wisconsin Electric officers and directors. Although you cannot vote your shares of Wisconsin Electric preferred stock at the Wisconsin Energy meeting, you should find the afternoon's activities to be worthwhile. You will be asked to register before entering the meeting.

The annual report to stockholders accompanies this information statement. For your information, you may request a Wisconsin Energy Corporation annual report by writing to the Stock Transfer Office at the above address or calling one of the telephone numbers listed below.

Sincerely,

Richard A. Abdoo
Chairman of the Board
and Chief Executive Officer

If you have any questions, please call our toll-free Stockholder Hotline at:

221-2100 in Metro Milwaukee
1-800-558-9663 outside Metro Milwaukee

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A subsidiary of Wisconsin Energy Corporation

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 15, 1993

To the Stockholders of Wisconsin Electric Power Company:

The Annual Meeting of Stockholders of Wisconsin Electric Power Company will be held at the Public Service Building, 231 West Michigan Street, Milwaukee, Wisconsin, on Tuesday, May 11, 1993, at 9:00 a.m., for the following purposes:

1. to elect a board of directors to hold office until the 1994 Annual Meeting of Stockholders; and

2. to consider any other matters which may properly come before the meeting.

Stockholders of record at the close of business on March 5, 1993 will be entitled to vote at the meeting.

By Order of the Board of Directors

John H. Goetsch

John H. Goetsch
Vice President and Secretary

Wisconsin Electric
POWER COMPANY

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

INFORMATION STATEMENT
and
ANNUAL REPORT TO STOCKHOLDERS

INFORMATION STATEMENT

April 15, 1993

This statement is furnished in connection with the annual meeting of stockholders of Wisconsin Electric Power Company (WE) to be held on May 11, 1993, at the principal office of WE at the Public Service Building, 231 West Michigan Street, Milwaukee, Wisconsin, and all adjournments of the meeting, for the purposes listed in the Notice of Annual Meeting of Stockholders. The WE annual report to stockholders accompanies this information statement.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. However, you may vote your shares of preferred stock at the meeting.

VOTING SECURITIES

As of March 5, 1993, WE had outstanding 44,508 shares of Six Per Cent. Preferred Stock; 939,000 shares of Serial Preferred Stock ($100 par value), consisting of 260,000 shares of 3.60% Series and 679,000 shares of 6.75% Series; and 33,289,327 shares of common stock. Each outstanding share of each class is entitled to one vote. Stockholders of record at the close of business on March 5, 1993 will be entitled to vote at the meeting. The affirmative vote of a plurality of the votes cast by the shares entitled to vote is required to elect directors. "Plurality" means that the individuals who receive the largest number of votes cast are elected as directors up to the maximum number of directors to be chosen at the meeting. Abstentions will count toward establishing a quorum, but will not be considered as votes cast with respect to the approval of the election of directors or any other matter which may come before the meeting. Broker non-votes will not be counted at all, including to establish a quorum.

All of WE's outstanding common stock, representing 97% of its voting securities, is owned beneficially by its parent company, Wisconsin Energy Corporation (Wisconsin Energy or WEC). A list of stockholders of record entitled to vote at the meeting will be available for inspection by stockholders at WE's principal business office at 231 West Michigan Street, Milwaukee, Wisconsin, prior to and at the meeting.

RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANT

Price Waterhouse has acted as independent public accountant for WE or its predecessor continuously since 1932, and was appointed by WE's board of directors upon recommendation of Wisconsin Energy's board of directors to serve as such during the current year. Representatives of the firm will not attend the annual meeting, but will be present at Wisconsin Energy's annual meeting on May 12, 1993 to make any statement they may consider appropriate and to respond to questions which may be directed to them.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The board of directors is responsible for overseeing the performance of WE. In 1992 the board held twelve regular meetings and two special meetings. One signed, written unanimous consent was executed in lieu of a meeting. None of the incumbent directors attended fewer than 92% of the total number of meetings of the board and the committees on which they served.

WE has an executive committee and a compensation committee; it does not have audit or nominating committees. The executive committee, which did not meet in 1992, may exercise all of the powers vested in the board during periods between board meetings except, among other things, action regarding dividends or other distributions to stockholders, election of officers or the filling of vacancies on the board or its committees. Messrs. Abdoo, Boston, Murray, Reid and Udell are regular members of the executive committee; all other directors are alternate members. The compensation committee was established on December 16, 1992; the committee did not meet in 1992. The compensation committee determines compensation policies for executive officers of WE, reviews and recommends adjustments to the salaries of elected officers and the fees of directors of WE, and reviews and recommends other direct and indirect forms of compensation, benefits and privileges which the elected officers and directors may receive. Messrs. Bergstrom, Murray, Reid, Stratton, Udell, and Mrs. Johnson are members of the compensation committee.

INFORMATION CONCERNING NOMINEES FOR DIRECTORS

At the 1993 annual meeting, there will be an election of twelve directors to hold office for a term of one year and until they are reelected or until their respective successors are duly elected and qualified.

The nominees named below have consented to being nominated and to serve if elected. The board of directors does not expect that any of the nominees will become unavailable for any reason. If that should occur before the meeting, another nominee or nominees will be selected by the WE board of directors.

Biographical information regarding each nominee is shown below. Ages are shown as of December 31, 1992. Wisconsin Energy Corporation's principal subsidiaries are Wisconsin Electric Power Company and Wisconsin Natural Gas Company (Wisconsin Natural).

NOMINEES FOR DIRECTORS (FOR TERMS EXPIRING IN 1994)

RICHARD A. ABDOO. Age 48. Chairman of the Board and Chief Executive Officer of WE and Wisconsin Natural since June 1990. Chairman of the Board, President and Chief Executive Officer of WEC since 1991. Executive Vice President of WEC from January 1990 to May 1991. President and Chief Executive Officer of WE from January 1990 to June 1990. President and Chief Operating Officer of WE from June 1989 to January 1990. Executive Vice President of WE from January 1989 to June 1989. Senior Vice President of WE from 1984 to January 1989. Vice President of WEC from May 1987 to January 1990. Director of WE and Wisconsin Natural since 1989. Director of WEC since 1988. Director of M&I Marshall & Ilsley Bank, ARI Network Services, Inc., Blue Cross & Blue Shield United of Wisconsin and United Wisconsin Services, Inc.

JOHN F. BERGSTROM. Age 46. President and Chief Executive Officer of Bergstrom Corporation since 1974; Bergstrom Corporation owns and operates twelve automobile dealerships, three hotels, a convention center, a life insurance company, and a real estate company. Director of WE since 1985. Director of WEC since 1987. Director of First National Bank-Fox Valley, Kimberly-Clark Corporation and Midwest Express Airlines, Inc.

JOHN W. BOSTON. Age 59. President and Chief Operating Officer of WE since 1990. Vice President of WEC since 1991. Executive Vice President and Chief Operating Officer of WE from January to June 1990. Senior Vice President of WE from 1982 to January 1990. Director of WE since 1988. Director of WEC since 1991.

ROBERT H. GORSKE. Age 60. Vice President and General Counsel of WE and of Wisconsin Natural since 1976. General Counsel of WEC since 1981. Director of WE since 1991. Director of Wisconsin Natural since 1976.

GENEVA B. JOHNSON. Age 63. President and Chief Executive Officer of Family Service America, an organization representing private agencies in the United States and Canada that provide human service programs, since 1983. Director of WE and WEC since 1988. Director of Firstar Bank Milwaukee, N.A.

CHARLES S. McNEER. Age 66. Chairman of the Board and Chief Executive Officer of WEC from 1987 to 1991. Chairman of the Board and Chief Executive Officer of WE and Wisconsin Natural from 1982 to 1989. Director of WE since 1970. Director of WEC since 1981. Director of Universal Foods Corporation.

JOHN L. MURRAY. Age 65. Corporate Director. Chairman of the Board of Universal Foods Corporation, a manufacturer and marketer of food ingredients and selected consumer food items, from 1984 to 1990. Chief Executive Officer of Universal Foods from 1979 to 1988. Director of WE since 1983. Director of WEC since 1987. Director of Briggs & Stratton Corporation, Marcus Corporation, Twin Disc, Inc. and Universal Foods Corporation.

DAVID K. PORTER. Age 49. Senior Vice President of WE and Vice President of Wisconsin Natural since 1989. Vice President-Corporate Planning of WE from 1986 to 1989. Director of WE since 1989. Director of Wisconsin Natural since 1988.

MORRIS W. REID. Age 67. Vice Chairman of the Board of Versa Technologies, Inc., a manufacturer of fluid power and silicone rubber products, since 1989. Vice Chairman, President and Chief Operating Officer of Versa Technologies from 1989 to 1992. Chairman of the Board of Versa Technologies from 1982 to 1989. Independent Management Consultant and Corporate Director since 1978. Chairman of the Board of J. I. Case Co., a manufacturer of construction and farm machinery, from 1972 to 1978. Director of WE since 1979. Director of WEC since 1987. Director of Banc One Wisconsin Corporation, A&E Manufacturing Company, Research Products Corporation and Versa Technologies, Inc.

JERRY G. REMMEL. Age 61. Senior Vice President of WE and Vice President-Finance of Wisconsin Natural since 1989. Treasurer of WEC since 1981. Vice President and Treasurer of WE from 1983 to 1989. Treasurer of Wisconsin Natural from 1974 to 1989. Director of WE since 1989. Director of Wisconsin Natural since 1988.

FREDERICK P. STRATTON, JR. Age 53. Chairman and Chief Executive Officer of Briggs & Stratton Corporation, a manufacturer of small gasoline engines and automotive locks, since 1986. Director of WE since 1986. Director of WEC since 1987. Director of Briggs & Stratton Corporation, Banc One Corporation, Banc One Wisconsin Corporation, Midwest Express Airlines, Inc. and Weyco Group, Inc.

JON G. UDELL. Age 57. Irwin Maier Professor of Business at the University of Wisconsin-Madison since 1975. Director of WE since 1977. Director of WEC since 1987. Chairman of the Board of Directors of the Federal Home Loan Bank of Chicago from 1982 to 1989. Director of Research Products Corporation and Versa Technologies, Inc.

OTHER MATTERS

The board of directors is not aware of any other matters which may properly come before the meeting. Effective November 25, 1992, the board amended the WE Bylaws to set forth the requirements that must be followed should a stockholder wish to propose any floor nominations for director or floor proposals at annual or special meetings of stockholders. In the case of annual meetings, the Bylaws state, among other things, that notice and certain other documentation must be provided to WE at least 70 days before the annual meeting.

EXECUTIVE OFFICERS

(Figures in parentheses indicate age and years of service with Wisconsin Electric Power Company as of December 31, 1992.)

RICHARD A. ABDOO (48,17)
Chairman of the Board
& Chief Executive Officer

JOHN W. BOSTON (59, 10)
President & Chief
Operating Officer

DAVID K. PORTER (49, 23)
Senior Vice President

JERRY G. REMMEL (61, 37)
Senior Vice President

JOHN H. GOETSCH (59, 34)
Vice President & Secretary

ROBERT H. GORSKE (60, 28)
Vice President & General
Counsel

RICHARD R. PILTZ (52, 27)
Controller

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

WE directors and executive officers as a group (14 persons) do not own any of WE's stock, but beneficially own 132,951 shares of common stock of its parent company, Wisconsin Energy Corporation (less than 1% of total WEC common stock outstanding). The following table lists the beneficial ownership of WEC common stock of each director and named executive officer. Share amounts are stated as of February 28, 1993, and include shares as to which each individual (i) directly or indirectly has or shares voting and/or investment power and (ii) has the right to acquire beneficial ownership within 60 days of February 28, 1993. Also included are shares owned by each individual's spouse, minor children or any other relative sharing the same residence, as well as shares held in a fiduciary capacity or held in WEC's Tax Reduction Act Stock Ownership Plan and Stock Plus Investment Plan, and WE's Management Employee Savings Plan. Shares are included whether or not the individual disclaims actual beneficial ownership of any of them.

Name	Number of Shares	Name	Number of Shares	Name	Number of Shares
R. A. Abdoo	8,969	G. B. Johnson	1,692	M. W. Reid	3,273
J. F. Bergstrom	3,000	C. S. McNeer	52,544	J. G. Remmel	5,645
J. W. Boston	3,023	J. L. Murray	3,000	F. P. Stratton, Jr.	3,600
R. H. Gorske	14,321	D. K. Porter	7,517	J. G. Udell	5,861*

* Dr. Udell disclaims beneficial ownership of 2,656 of such shares.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table lists information known by WE as to the beneficial owners of more than five percent of any class of WE's voting securities as of December 31, 1992. The information below is based upon a filing made by Wellington Management Company (Wellington) to the Securities and Exchange Commission.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Serial Preferred Stock, 6.75% Series(1)	Wellington Management Company 75 State Street Boston, MA 02109	66,000(2)	9.43%(1)

(1) The 6.75% Series is part of the Serial Preferred Stock ($100 par value) class. Although Wellington owned 9.43% of the 6.75% Series, as of December 31, 1992, Wellington owned 7.03% of the entire class.
(2) Wellington states that it is a beneficial owner by virtue of shared voting power and/or shared dispositive power it possesses pursuant to agreements with clients.

COMPENSATION

DIRECTORS' COMPENSATION

In 1992, each nonemployee director received a monthly retainer fee of $1,500 plus $1,000 for each board or committee meeting attended. In addition, a per diem fee of $1,000 for travel on company business is paid for each day on which a board or committee meeting is not also held. Nonemployee directors are also paid $300 for each signed, written unanimous consent in lieu of a meeting. Although certain WE directors also serve on WEC's board and compensation committee, only single fees are paid for meetings held by both boards or committees on the same day. In these cases, fees are allocated between WE and WEC based on services rendered. Nonemployee directors may defer fees so long as they serve on the board of WE and/or its affiliates. Employee directors receive no directors' fees.

EXECUTIVE OFFICERS' COMPENSATION

The table below presents the compensation paid to, or accrued by WE, for the last three fiscal years for the five most highly compensated executive officers.

SUMMARY COMPENSATION TABLE

		Annual Compensation			
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	All Other Compensation (1)
RICHARD A. ABDOO					
Chairman of the Board and	1992	$338,417	$46,918	$2,486	$10,152
Chief Executive Officer	1991	281,850	47,073		
	1990	240,300	24,030		
JOHN W. BOSTON					
President and Chief Operating	1992	242,713	33,222	3,005	7,281
Officer	1991	240,620	38,501		
	1990	214,700	17,176		
ROBERT H. GORSKE					
Vice President and General	1992	173,253	17,634	2,704	5,198
Counsel	1991	164,333	24,651		
	1990	155,467	10,883		
DAVID K. PORTER					
Senior Vice President	1992	160,933	15,807	3,159	4,828
	1991	145,917	23,346		
	1990	136,350	11,590		
JERRY G. REMMEL					
Senior Vice President	1992	143,218	17,360	2,488	4,297
	1991	134,367	18,811		
	1990	127,440	10,832		

(1) All Other Compensation for 1992 for Messrs. Abdoo, Boston, Gorske, Porter and Remmel, respectively, includes: (i) WE matching of contributions by each named executive into the MESP in the amounts of $3,441, $4,277, $3,848, $3,942 and $3,444, respectively and (ii) "make whole" payments under the Executive Deferred Compensation Plan with respect to WE matching in the MESP on deferred salary or salary received but not otherwise eligible for matching in the amounts of $6,711, $3,004, $1,350, $886 and $853, respectively.

No long-term compensation is being reported as WE did not offer, accrue, pay or award any restricted stock, dividends on restricted stock, long-term incentives, stock options or stock appreciation rights to or for the account of any of the named executives for the years 1990, 1991 or 1992. Other compensation, not otherwise described in this information statement, to each named executive officer does not exceed the lesser of $50,000 per person or 10% of their aggregate cash compensation.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION MATTERS

Corporate Mission Statement

Wisconsin Electric Power Company (WE) is an electric utility whose principal mission is being the energy supplier of choice in the region it serves while providing earnings to support its financial goals.

WE's core business is generating, transmitting and distributing electric and steam energy to meet the needs and wants of its customers and to assure the economic vitality of the region.

WE is committed to improving the quality of life in the area it serves, to maintaining employee excellence and to providing a working environment that encourages each employee to achieve superior results and satisfaction.

Philosophy & Objectives

The board of directors of WE strives to attract, retain and motivate a top-caliber executive team. To that end, it is WE's intent to offer an industry-competitive, performance-based executive compensation program. The components of the program, as well as the opportunities offered through the program, are designed to be competitive with practices at other comparably-sized electric utilities. The annual incentive compensation program links a portion of each executive's pay to the successful and timely completion of key operational, safety, financial and customer satisfaction objectives. Successful achievement of these objectives is critical to meeting WE's longer-term financial and shareholder return goals.

The executive compensation program strikes a balance between offering fair and reasonable fixed compensation (e.g., base salary), tied to the executive's skills and responsibilities, and variable compensation (e.g., annual incentive compensation), tied to the executive's and company's results over the most recent fiscal year. The Compensation Committee expects total cash compensation (base salary + annual incentive compensation) for executives to vary from year-to-year, based upon WE's operating, safety, financial and customer satisfaction performance. In line with WE's pay-for-performance philosophy, superior performance will yield above-average compensation; likewise, below-average performance will yield below-average compensation.

The Compensation Committee annually reviews the competitiveness of executive base salary levels and annual incentive opportunities relative to practices at other comparably-sized electric utilities. As general business and competitive factors dictate, the Compensation Committee recommends to the Board of Directors adjustments to the level of base salary and annual incentive opportunities for executives. Periodically, the Compensation Committee also reviews the design of the executive compensation program, to make sure that it ties closely to WE's strategic goals and operating style, as well as striving to reflect prevailing industry pay practices.

Program Components

The executive compensation program currently consists of base salary and annual incentive compensation.

Base salaries are targeted at the 50th percentile of other comparable electric utilities. Adjustments to base salary are based principally on factors including individual performance and potential, changes in duties and responsibilities, economic conditions in the utility service areas, financial success of the company, customer satisfaction, competitiveness of utility service rates and outlook for such rates in the coming year, and changes in pay rates for comparable jobs at other utilities.

Target incentive compensation awards for each individual range from 15% to 30% of base salary. Incentive payouts under the plan are based upon the achievement of individual and specific company-wide operating, safety, financial and customer satisfaction objectives. Individual award payouts range from 0% to 125% of targeted amounts based on individual and team performance.

For 1992 and 1993, Wisconsin Electric's performance factors relate to:

- Return on equity versus an externally defined peer group
- Demand-side management including conservation and load management
- Energy production availability
- Customer satisfaction
- Operating and maintenance cost management

Under the Short-Term Performance Plan (STPP) for key employees for 1992, the Compensation Committee awarded participants approximately fifty percent of the target amount calculated under the plan for each individual. This decision was based on satisfactory attainment of company-wide goals other than an earnings per share (EPS) predetermined threshold level. The committee determined that earnings for 1992 had been adversely affected primarily by lower electric kilowatt hour sales caused by cooler than normal summer weather. The STPP has been modified for 1993 to divide the STPP performance goals into two parts--60% operational and 40% financial (except that the weightings for the Chief Executive Officer (CEO) shall be 60% financial and 40% operational, as the committee believes that the CEO bears the primary responsibility for the financial success of WE). Among the operational performance goals is a goal relating to total shareholder return; the financial performance goal will focus on achievement of WE's target earnings level.

During 1993, the committee will review the design of and objectives for the executive compensation program, and specifically will examine and determine whether it is appropriate to add a longer-term incentive and/or a stock ownership program to the executive compensation program. This review will also reaffirm that the executive compensation program ties closely to WE's strategic goals and operating style, as well as assuring a solid link between executive compensation and long- and short-term performance.

Chief Executive Officer Compensation

Mr. Abdoo's WE base salary was $335,000 at the beginning of the most recent fiscal year. He received a merit increase of $20,000 effective November 1, 1992, raising his annualized WE salary to $355,000.

Mr. Abdoo is a designated participant in the annual incentive plan described above. For fiscal year 1992, the committee awarded Mr. Abdoo the annual incentive award as shown on page 5 in the column labeled "bonus". The award was based upon WE's actual performance versus the specific measures cited above. Mr. Abdoo's award was also based on the degree to which his 1992 individual goals were achieved. His principal goals related to achieving a safe and effective operation of Wisconsin Electric's Point Beach Nuclear Plant, achieving a satisfactory earnings level for WE, and providing leadership to ensure that WE operates in an environmentally responsible, community-minded manner to improve the quality of life in the area it serves.

Compensation of Other Named Officers

The other four named officers each received merit increases during the fiscal year ranging from 2.7% to 5.1% of salary on an annualized basis.

The four named officers are designated participants in the annual incentive plan described above. For fiscal year 1992, the four officers received the annual incentive awards as shown on page 5 in the column labeled "bonus". Their awards were based upon criteria similar to those described for Mr. Abdoo's incentive award.

Compensation Consultant

The Compensation Committee has retained Towers Perrin, a nationally recognized compensation consultant, to work with it on matters relating to the administration and design of WE's executive compensation program. The consultant reports directly to the committee. The consultant provided the committee with direct access to competitive information regarding pay levels and practices within the industry.

Names of Committee Members

The Compensation Committee is comprised only of nonemployee directors. The Compensation Committee was established effective December 16, 1992. Prior to that date, the Compensation Committee of Wisconsin Energy Corporation, WE's parent corporation, which is comprised of the same nonemployee directors, performed such functions for WE.

John F. Bergstrom, Geneva B. Johnson, John L. Murray, Morris W. Reid, Frederick P. Stratton, Jr., and Jon G. Udell.

INFORMATION ABOUT COMPENSATION PLANS

WE's parent, Wisconsin Energy Corporation, has a qualified Tax Reduction Act Stock Ownership Plan (TRASOP). Virtually all employees of WE with one year of service are participants in the TRASOP, a plan in which WE may make contributions to purchase WEC common stock on behalf of participants. No employer contributions were made in 1992. Dividends from shares in a participant's account are reinvested on a tax-deferred basis. Participants receive their account shares after they retire or otherwise leave service, or earlier in some situations.

All executive and management employees of WE are eligible to participate in the Management Employee Savings Plan (MESP). Participants may elect to contribute a percentage of their pretax salary to the MESP up to certain limits, of which WE matches 50% of the first 6% contributed. Participants may invest their contributions in one or more funds, including a WEC Common Stock Fund. Matching funds are invested in the WEC Common Stock Fund. Account balances are distributable upon retirement or termination of employment, subject to earlier withdrawal in certain events of financial hardship. Loans from the MESP are also permitted. On September 23, 1992, Fidelity Management Trust Company was appointed Successor Trustee under the MESP. The MESP meets the requirements under Section 401(k) of the Internal Revenue Code. There is a similar plan for nonsalaried employees.

Designated elected officers of WE participated in the Executive Incentive Compensation Plan (EICP). Effective January 1, 1992 WEC established the Short-Term Performance Plan described below to replace the EICP. The EICP will remain in effect only until all incentive awards have been paid out in 1994.

Key employees of WEC and its utility subsidiaries, including the elected officers of WE, participate in the Short-Term Performance Plan (STPP). The purpose of the STPP is to promote the achievement of customer- and shareholder-focused objectives of WEC and the utility subsidiaries while recognizing individual performance of plan participants. Each year, cash awards, if any, are determined by the WEC and WE Compensation Committees and approved by the boards of WEC and its utility subsidiaries based on achievement of pre-established performance goals. A participant may elect to defer receipt of all or a portion of any award through the Executive Deferred Compensation Plan described below.

Designated elected officers of WEC and the utility subsidiaries, including WE, participate in the Executive Deferred Compensation Plan (EDCP). The purpose of the EDCP is to permit participants to defer income until retirement. Deferred amounts earn interest at the prime rate. The interest rate is adjusted and interest is credited semiannually to participants' accounts. Since, under the retirement plans (described below), base salary deferred through the EDCP and incentive awards earned under the EICP or STPP (described above) are not included in the compensation base for calculating a participant's retirement income, a "make whole" benefit relative to such amounts (calculated without regard to any limitations imposed by the Internal Revenue Code on pension benefits or covered compensation) will be paid as a supplement through the EDCP out of general corporate assets. In addition, a special contribution will be made to a participant's EDCP account to "make whole" any MESP employer-matching contributions lost through deferrals elected under the EDCP or because of other limitations imposed by the Internal Revenue Code on a participant's level of participation in the MESP.

RETIREMENT PLAN

WE maintains a retirement plan for management employees, including executive officers. The plan provides retirement income based upon years of credited service and final average annual compensation for the 36 highest consecutive months. The following table shows the estimated annual pension benefits payable upon retirement to persons in various compensation and years-of-service classifications:

	Years of Service					
Remuneration	15	20	25	30	35	40
$ 50,000	$11,404	$15,204	$19,008	$22,800	$24,984	$27,168
100,000	24,336	32,448	40,560	48,672	53,292	57,912
125,000	30,279	40,549	50,879	61,089	66,927	73,297
150,000	36,748	49,174	61,601	74,028	81,085	88,674
175,000	43,217	57,800	72,383	86,966	95,241	104,048
200,000	49,684	66,423	83,162	99,901	109,395	119,421
225,000	56,153	75,049	93,944	112,839	123,553	134,796
250,000	62,621	83,672	104,723	125,774	137,706	150,170
300,000	75,559	100,923	126,287	151,651	166,020	180,921
400,000	101,434	113,423	169,412	203,401	222,645	242,421
450,000	114,373	152,674	190,976	229,278	250,960	273,168
500,000	127,309	169,923	212,537	255,151	279,270	303,912

The compensation for the individuals listed on page 5 in the columns labeled "salary", "bonus" and "all other compensation" is virtually equivalent to the compensation for purposes of the retirement plan plus the various supplemental plans. Messrs. Abdoo, Boston, Gorske, Porter and Remmel currently have 17, 10, 24, 23 and 38 credited years of service, respectively. Credited years of service under the retirement plan for certain individuals may be fewer than years of service with WE as reported in the WEC annual report to stockholders. Retirement benefits are not subject to any deduction for Social Security or other offset since they are computed using a step-rate formula which provides a Social Security integrated benefit based upon percentages of the average of the participant's highest 36 consecutive months of compensation for up to 30 years of credited service with additional (lower) percentages of compensation in excess of 30 years up to a maximum of 10 years. The Supplemental Executive Retirement Plan (described below) provides designated participants a "make whole" benefit equal to any decrease in pension which may have resulted when the retirement plan adopted the step-rate formula. Such "make whole" benefit will be paid as a pension supplement out of general corporate assets.

Designated elected officers of WEC and the utility subsidiaries, including WE, participate in the Supplemental Executive Retirement Plan (SERP). The SERP provides for monthly payments of benefits for a period of ten years to the participant after retirement or to his/her beneficiaries in the event of the participant's death, equal to 12.5% (25% upon death of the participant) of the average of the participant's highest 36 consecutive months of compensation from the employing company (such compensation includes the monthly average of any incentive payments awarded during such 36-month period and any base salary or other compensation that would have been paid during such 36-month period but was not paid due to elective deferrals made by the participant under a savings or other deferred compensation plan). No such payments are made until after the retirement or death of the participant.

WEC has entered into an agreement with Mr. Abdoo and WE has entered into agreements with Messrs. Boston and Gorske, who cannot accumulate by normal retirement age the maximum number of years of credited service under the management employee retirement plans. According to these agreements, Messrs. Abdoo, Boston and Gorske at retirement will receive supplemental retirement payments which will make their total retirement benefits at age 60 or older substantially the same as those payable to employees who are in the same compensation bracket and who became plan participants at the age of 25.

AVAILABILITY OF FORM 10-K

The Wisconsin Electric Form 10-K report for 1992 to the Securities and Exchange Commission is available at no cost by writing to the vice president and secretary, John H. Goetsch, 231 West Michigan Street, P.O. Box 2046, Milwaukee, Wisconsin 53201.

WISCONSIN ELECTRIC POWER COMPANY

1992 ANNUAL REPORT TO STOCKHOLDERS

ACCOMPANYING INFORMATION STATEMENT

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BUSINESS

Wisconsin Electric Power Company ("Wisconsin Electric" or "company") is an operating public utility incorporated in the State of Wisconsin in 1896. Its operations are conducted in two business segments, the primary operations of which are as follows:

Business Segment	Operations
Electric Operations	Wisconsin Electric generates, transmits, distributes and sells electric energy in a territory of approximately 12,600 square miles with a population estimated at over 2,000,000 in southeastern (including the Milwaukee area), east central and northern Wisconsin and in the Upper Peninsula of Michigan.
Steam Operations	Wisconsin Electric distributes and sells steam supplied by its Valley Power Plant to space heating and processing customers in downtown Milwaukee.

For financial information about industry segments, see Note M to the Financial Statements.

Wisconsin Electric is a subsidiary of Wisconsin Energy Corporation ("Wisconsin Energy"), which owns all of Wisconsin Electric's Common Stock, and is an affiliated company to Wisconsin Natural Gas Company ("Wisconsin Natural"), the gas utility subsidiary of Wisconsin Energy.

MARKET FOR COMMON EQUITY AND RELATED MATTERS

The amount of cash dividends declared on Wisconsin Electric's Common Stock during the two most recent fiscal years are set forth below. Dividends were paid to Wisconsin Electric's sole common stockholder, Wisconsin Energy.

	Quarter	Total Dividend
1991	1	$63,863,035*
	2	$34,627,501
	3	$34,627,501
	4	$34,627,501
1992	1	$16,250,000
	2	$16,250,000
	3	$16,250,000
	4	$16,250,000

* A $15 million cash dividend included in this amount was declared in the fourth quarter of 1990 but was not paid until the first quarter of 1991.

SELECTED FINANCIAL DATA

FINANCIAL

	1992	1991	1990	1989	1988
	(Thousands of Dollars)				
Earnings available for common stockholder	$ 155,826	$ 175,641	$ 179,990	$ 184,354	$ 173,021
Operating revenues:					
Electric	$1,298,723	$1,292,809	$1,208,045	$1,245,701	$1,275,396
Steam	13,093	12,986	12,126	12,292	12,363
Total operating revenues	$1,311,816	$1,305,795	$1,220,171	$1,257,993	$1,287,759
Total assets	$3,285,845	$3,052,133	$2,972,903	$2,967,006	$2,871,045
Long-term debt and preferred stock-redemption required	$1,195,210	$1,110,572	$1,002,852	$1,016,197	$1,050,339

SALES AND CUSTOMERS

	1992	1991	1990	1989	1988
Electric					
Megawatt-hours sold	24,747,581	25,016,247	23,656,727	24,293,356	24,050,862
Customers (End of year)	919,466	907,871	896,393	882,883	870,780
Steam					
Pounds sold (millions)	2,284	2,282	2,213	2,160	1,879
Customers (End of year)	472	468	470	482	494

QUARTERLY FINANCIAL DATA

Three Months Ended

	March		June	
	1992	1991	1992	1991
	(Thousands of Dollars)			
Total operating revenues	$335,963	$323,273	$315,163	$320,810
Operating income	58,638	$ 57,273	$ 45,404	$ 53,254
Earnings available for common stockholder	$ 43,244	$ 42,430	$ 30,421	$ 39,265

Three Months Ended

	September		December	
	1992	1991	1992	1991
	(Thousands of Dollars)			
Total operating revenues	$329,374	$337,783	$331,316	$323,929
Operating income	$ 58,778	$ 66,837	$ 57,176	$ 55,680
Earnings available for common stockholder	$ 42,204	$ 52,504	$ 39,957	$ 41,442

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

Earnings and dividends per share are not provided as all Wisconsin Electric's Common Stock is held by Wisconsin Energy.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Earnings

Earnings for Wisconsin Electric decreased to $155,826,000 in 1992 compared to $175,641,000 in 1991 primarily because of lower kilowatt-hour sales and higher other operation expenses and maintenance. Although total kilowatt-hour sales during 1992 decreased 1.1%, residential sales decreased 5.1% reflecting an additional year of mild winter weather and cooler summer weather which negatively affected 1992 energy sales.

Electric Sales and Revenues

Total electric sales of Wisconsin Electric, detailed below by customer class, decreased 1.1 percent in 1992 compared to 1991. The decrease reflects the impact of cool summer weather and continued mild winter weather, offset, to a large extent, by increased sales to the utility's large commercial and industrial customers. As evidenced by the reduction in residential sales, cooler weather during the summer of 1992 significantly reduced the use of electricity for air conditioning and other cooling purposes while mild winter temperatures reduced energy sales associated with space heating. The summer of 1992 was the coolest since Wisconsin Electric began keeping records in 1948, whereas the summer of 1991 was the second warmest since that time. Offsetting the revenue impact of lower electric kilowatt-hour sales were rate increases in both the Wisconsin and Michigan retail electric jurisdictions during 1992.

Electric Sales - Megawatt Hours	1992	1991	% Change
Residential	6,230,136	6,566,748	(5.1)
Small Commercial and Industrial	6,154,530	6,152,833	---
Large Commercial and Industrial	9,702,303	9,462,065	2.5
Other	1,995,349	2,161,706	(7.7)
Total Retail and Municipal	24,082,318	24,343,352	(1.1)
Resale-Utilities	665,263	672,895	(1.1)
Total Sales	24,747,581	25,016,247	(1.1)

Electric energy sales to the Empire and Tilden iron-ore mines, Wisconsin Electric's two largest customers, were 6.2 percent higher in 1992, reflecting increased mining activity during 1992 compared to 1991. Excluding the mines, sales to large commercial and industrial customers increased 1.5 percent in 1992. Sales to the mines represented approximately 9 percent, 8 percent and 7 percent of total electric sales during 1992, 1991 and 1990, respectively.

The 7.7 percent reduction in sales to the other customer class is largely the result of reductions in sales to WPPI, Wisconsin Electric's largest municipal customer consortium. WPPI reduced its purchases from Wisconsin Electric subsequent to acquiring an ownership interest in generation capacity in September of 1990. Sales to WPPI during 1992, 1991, and 1990 were approximately 1,166,000 MWh, 1,338,000 MWh, and 1,247,000 MWh, respectively. Further reductions are expected in 1993 and beyond as WPPI installs additional capacity in 1993. These sales reductions will not have a significant effect on future earnings.

Despite lower electric kilowatt-hour sales, 1992 revenues increased slightly, 0.5 percent over 1991, reflecting an annualized $56.4 million Wisconsin retail electric rate increase effective January 11, 1992 and an annualized $1.9 million retail electric rate increase effective January 17, 1992 for non-mine retail customer sales in Michigan. Also affecting revenues was an annualized $24.2 million fuel adjustment rate reduction effective May 29, 1992.

Total electric kilowatt-hour sales increased at a compound annual rate of 2.3 percent between the years 1990 and 1992, while electric revenues increased at a compound annual rate of 3.7 percent. Electric sales and revenues, however, were at a reduced level in 1990 due to an employees' strike at the facilities of the above mentioned mine customers, which lasted from August 1 to December 1 of that year. Excluding the mines, total electric kilowatt-hour sales increased at a compound annual rate of 1.1 percent between the years 1990 and 1992 and revenues increased at a compound annual rate of 3.4 percent.

Electric revenues in 1991 were 7.0 percent higher than 1990 primarily because of an increase in Wisconsin retail electric rates and a 5.7 percent increase in kilowatt-hour sales. Excluding the mines, total electric sales in 1991 increased 4.1 percent over 1990.

Electric Operation and Maintenance Expenses

Total electric operating expenses, excluding income taxes and depreciation, were $14 million higher in 1992 compared to 1991 reflecting increased training, staffing and other operating costs associated with the Point Beach Nuclear Plant, increased maintenance expenditures related to the Port Washington Power Plant renovation project and higher costs associated with medical and other employee benefits. Taxes other than income taxes were higher during 1992 largely due to a $5 million one-time ad valorem tax credit recognized in 1991 and an increase in the 1992 Wisconsin license fee on gross revenues. The increases in other operation expenses, taxes other than income taxes and maintenance were significantly offset by reduced fuel and purchased power expense due to lower average costs per kilowatt-hour and reduced kilowatt-hour sales.

The 11.2 percent increase in depreciation during 1992 is primarily the result of higher depreciable plant balances at Wisconsin Electric and higher authorized depreciation rates effective January 1992.

Since 1990, operating expenses, excluding income taxes and depreciation, have increased at a compound annual rate of 5.4 percent.

Other Items

Other income was higher in 1990 relative to 1991 and 1992, largely because of $15.9 million of interest income related to tax settlements which was recorded in 1990.

In 1992, the company adopted Statement of Financial Accounting Standards No. 107 (FAS 107) "Market Disclosures About Fair Value of Financial Instruments", and in 1993, adopted FAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" and FAS 109 "Accounting For Income Taxes". Adoption of these accounting standards is not anticipated to have a material impact on results of operations. For additional information, see Notes to Financial Statements: Notes K, C, and E, respectively.

Rates and Regulatory Matters

The following table shows the projected annual revenue impact of recent rate changes authorized by regulatory commissions based on the sales projections utilized by those commissions in setting rates. In February 1993, the Public Service Commission of Wisconsin ("PSCW") authorized an annualized retail electric base rate increase of $26.7 million, or 2.3 percent, effective February 17, 1993, which includes the elimination of the $24.2 million fuel adjustment rate reduction which had been in effect since May 29, 1992. The increase is based on an authorized regulatory return on common equity of 12.3 percent, down from 12.8 percent authorized for 1992.

In January 1993, the FERC authorized an annualized wholesale electric base rate increase of $8.5 million, or 15.1 percent, to be effective in June 1993, subject to refund pending an investigation, hearing, and final order. This action represents the first increase in wholesale base rates since 1986. Wholesale electric sales account for approximately 7 percent of Wisconsin Electric's total kilowatt-hour sales.

Wisconsin Electric is currently awaiting action on an application pending with the Michigan Public Service Commission ("MPSC") to increase retail electric rates by an annualized $2.9 million, or 9.0 percent. An order authorizing new rates is expected by the end of September 1993. Excluding sales to the two iron ore mine customers (which are separately regulated by the MPSC), retail electric sales in Michigan account for approximately 2 percent of Wisconsin Electric's total kilowatt-hour sales.

The PSCW regulates Wisconsin retail electric and steam rates, while the FERC regulates wholesale electric rates. The MPSC regulates retail electric rates in Michigan.

Service	Revenue Increase (Decrease)	Percent Change in Rates	Effective Date
Retail electric, Wis.	$ 56,391,000	5.1%	01/11/92
Steam heating	272,000	2.0	01/11/92
Retail electric, Mich.	1,850,000	6.1	01/17/92
Fuel electric, Wis.	(24,207,000)	(2.1)	05/29/92
Retail electric, Wis.	26,655,000	2.3	02/17/93
Steam heating	505,000	3.5	02/17/93
Wholesale electric	8,524,000	15.1	06/09/93

In setting retail rates, the annual rate case process in Wisconsin addresses the impact of inflation by incorporating inflation-related increases in the estimates of expenses used in the forward-looking test year. Additionally, under the Wisconsin retail electric fuel adjustment procedure, retail electric rates may be adjusted, on a prospective basis, if cumulative fuel and purchased power costs, when compared to the costs projected in the retail electric rate proceeding, deviate from a prescribed range and are expected to continue to be above or below that range.

Electric Sales Outlook

Assuming moderate growth in the service territory economy and normal weather, Wisconsin Electric presently anticipates electric kilowatt-hour sales to grow at a compound annual rate of approximately 2.9 percent over the five-year period ending December 31, 1997. This forecast is subject to a number of variables, including the economy and weather, which may affect the actual growth in sales.

LIQUIDITY AND CAPITAL RESOURCES

Investing Activities

Wisconsin Electric invested $830 million in its business during the three years ended December 31, 1992. Construction expenditures for new or improved facilities represented the largest component totaling $686 million, followed by net capitalized conservation expenditures of $80 million, purchases of nuclear fuel at $58 million and payments to an external trust for the eventual decommissioning of Wisconsin Electric's Point Beach Nuclear Plant totaling $57 million offset by a reduction in construction funds held by trustee and other items totaling approximately $51 million.

Wisconsin Electric has made significant progress with the construction of its new Concord Generating Station, a four unit, approximately 300 megawatt natural gas-fired combustion turbine facility designed to meet peak demand requirements. Capital expenditures of $47 million and $13 million were made during 1992 and 1991, respectively, for the construction of this facility. Two units, or about 150 megawatts of capacity, are expected to be placed in-service in the summer of 1993 with the balance in the summer of 1994. The total cost of this project is currently estimated at $107 million. Wisconsin Electric has firm capacity purchase power contracts intended to maintain adequate reserve margins prior to completion of this facility.

Additionally, with PSCW approval granted in January 1993, site preparation has begun for the construction of the new Paris Generating Station, also a four unit, approximately 300 megawatt combustion turbine facility intended to meet growing peak demand requirements. This generating station is expected to have all four units in-service during the summer of 1995 at the currently estimated cost of $111 million.

The PSCW has allowed Wisconsin Electric to earn a current return on construction work in progress (CWIP) related to the construction of the Concord and Paris power plants.

Wisconsin Electric is proceeding with the renovation of units 1-4 at its Port Washington Power Plant, which includes upgrading the turbine generators and boilers and the installation of additional emission control equipment. Work at unit 3 was completed during 1992, with units 1 and 2 scheduled for completion during 1993 and unit 4 during 1994. This project is expected to cost approximately $120 million. Expenditures totaling $43 million and $15 million were made during 1992 and 1991, respectively.

In June 1992, Wisconsin Electric completed the construction of a transmission line and related facilities which provide the capability to transfer up to 300 megawatts of electricity into Wisconsin from its Presque Isle Power Plant located in the Upper Peninsula of Michigan. Prior to completion, the maximum transfer capability was 170 megawatts. The cost of the project was approximately $41 million.

Cash Provided by Operating and Financing Activities

During the three years ended December 31, 1992, cash provided by operating activities totaled $1,010 million. During this period, internal sources of funds, after the payment of dividends to Wisconsin Energy, Wisconsin Electric's sole common stockholder, provided 73 percent of the company's capital requirements.

Financing activities during the three-year period ended December 31, 1992 included the issuance of $717 million of long-term debt, principally to refinance higher coupon debt. No preferred stock was issued during this period.

Additionally, during the three-year period ended December 31, 1992, the company retired a total of $585 million of long-term debt, reflective of the extensive bond refinancing efforts of 1992 described below, and increased short-term debt by $74 million. Dividends on the company's common stock, which is entirely owned by the company's parent, Wisconsin Energy, were $65 million, $168 million, and $175 million, during 1992, 1991, and 1990, respectively.

The company continued efforts to reduce its overall cost of capital. During 1992, Wisconsin Electric issued five new series of First Mortgage Bonds which provided $431 million principal amount to redeem 12 outstanding series of higher coupon First Mortgage Bonds and $130 million of new capital for the company. Additionally, during 1992, Wisconsin Electric replaced its 7% Series Debentures due 1993 with lower cost short-term debt.

In January and March 1993, Wisconsin Electric issued three new series of First Mortgage Bonds aggregating $230 million in principal amount, the proceeds of which will be used to redeem $227.7 million of three outstanding series of First Mortgage Bonds as described in Note I to the Financial Statements - Long-Term Debt.

With the 1992 and January through mid-March 1993 refinancing activities, about two-thirds of Wisconsin Electric's long-term debt outstanding at December 31, 1991 will have been replaced, lowering the company's overall cost of capital. These transactions are expected to reduce the company's embedded cost of long-term debt from 8.24 percent at December 31, 1991 to 7.04 percent at April 15, 1993, and are expected to result in approximately $132 million of savings in net interest expense over the lives of the bonds. Depending on market conditions and other factors, additional debt refundings may occur.

Other financing efforts during the three years ended December 31, 1992 include Wisconsin Electric's 1991 issuance of $100 million of First Mortgage Bonds, 8-3/8% Series, the proceeds of which were used to reduce short-term borrowings. Also in 1991, Wisconsin Electric issued $9 million of First Mortgage Bonds, 6.85% Series, as the revenue source and collateral for a City of Milwaukee tax exempt financing for improvements to Wisconsin Electric's steam heating facilities.

Capital Structure

The company's capitalization at December 31 is shown below:

	1992	1991	1990
Common Equity	49.5%	50.2%	51.4%
Preferred Stock	3.8	4.2	4.4
Long-Term Debt (including current maturities)	43.9	44.0	41.8
Short-Term Debt	2.8	1.6	2.4
	100.0%	100.0%	100.0%

Compared to the electric utility industry generally, the company has maintained a relatively high ratio of common equity to total capitalization and low debt and preferred stock ratios. This conservative capital structure, along with strong bond ratings (Wisconsin Electric currently has ratings of AA+ by Standard & Poor's Corporation, Aa2 by Moody's Investors Service and AA+ by Duff & Phelps Inc.) and internal cash generation has provided, and should continue to provide, the company with access to the capital markets when necessary to finance the anticipated growth in the company's business. At year-end 1992, the company had $102 million of unused lines of bank credit, $52 million of cash, cash equivalents and short-term investments, $93 million of short-term debt (including long-term debt due currently) and $24 million of construction funds held by trustees.

Capital Requirements 1993-1997

The company's estimated capital requirements for the years 1993-1997 are outlined below:

	(Millions of Dollars)				
	1993	1994	1995	1996	1997
Construction	$401	$339	$337	$423	$462
Conservation	32	40	41	37	32
Bond Maturities/ Sinking Funds	0	2	2	30	132
Changes in Fuel Inventories	(6)	3	5	11	7
Decommissioning Trust Payments	14	15	16	17	18
Total	$441	$399	$401	$518	$651

In September 1992, the PSCW issued an order in the Advance Plan 6 docket. In the Advance Plan process, Wisconsin Electric, in conjunction with the other regulated electric utilities located in Wisconsin, is required to file long-term forecasts of resource requirements, such as the need for generation and transmission facilities, along with plans to meet those requirements, including the use of energy management and conservation.

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

Investments in demand-side management programs have reduced and delayed the need to add new generating capacity but have not eliminated the need entirely. In order to serve the growth in future peak demand requirements, Wisconsin Electric has received PSCW approval and has begun construction of its first two planned capacity additions. Expenditures related to the construction of these two generating plants and other additional generating facilities are included in the forecast of capital requirements shown above.

In the five-year forecast period, a total of approximately 600 megawatts of natural gas-fired combustion turbine peaking capacity is planned for completion, with about 150 megawatts annually in 1993 and 1994 and about 300 megawatts in 1995, as previously described under "Investing Activities". Also planned for completion in 1994 and awaiting PSCW approval, is a gas-fired cogeneration facility, to be owned by Wisconsin Electric. This facility, to be rated at approximately 200 megawatts, would generate electricity for the Wisconsin Electric system and provide process steam to be sold to Repap Wisconsin, Inc., (formerly Midtec Paper Corporation) for use in its coated paper making facilities. Repap Wisconsin, Inc., located in Kimberly, Wisconsin, is currently Wisconsin Electric's largest Wisconsin retail electric customer. Finally, the forecast also includes expenditures related to 225 megawatts of additional peaking capacity, tentatively scheduled for completion in 1997. However, at the present time, Wisconsin Electric is evaluating whether intermediate-load capacity would better fit the anticipated growth in future demand requirements.

Additional intermediate-load capacity is expected to be needed in the late 1990s. Wisconsin Electric's next base load power plant is planned to be placed in-service around the turn of the century. Employing the clean-burning technology of circulating fluidized bed combustion, this coal-fired facility's preferred location is the site of Wisconsin Electric's recently retired North Oak Creek units, gaining cost savings by utilizing existing fuel transportation facilities, electric transmission lines and cooling water supplies.

The addition of new generating units requires approval from various regulatory agencies including the PSCW, the U.S. Environmental Protection Agency ("EPA") and the Wisconsin Department of Natural Resources ("DNR"). All proposed generating facilities will meet or exceed the applicable federal and state environmental requirements.

Other Wisconsin Electric construction projects of significance include the previously mentioned renovation work at the Port Washington Power Plant and the planned 1997 replacement of steam generators for one unit at the Point Beach Nuclear Plant.

A number of independent power producers ("IPPs") are actively exploring cogeneration projects in Wisconsin, which would be qualifying facilities ("QFs"), including some which would be within Wisconsin Electric's service territory. Under the requirements of the Public Utility Regulatory Policies Act (PURPA), utilities are required to purchase electricity from QFs at the utilities' avoided costs. Although Wisconsin Electric is currently negotiating with several IPPs, it is uncertain which, if any, of the proposed generating facilities will ultimately be constructed and placed in operation.

Capital Resources

During the five-year forecast period ending December 31, 1997, Wisconsin Electric expects internal sources of funds from operations, after dividends to Wisconsin Energy, to provide about 65 percent of its capital requirements. The remaining cash requirements are expected to be met through the reduction of existing cash investments and construction funds on deposit with trustees, short-term borrowings and the issuance of long-term debt and preferred stock.

Exclusive of debt refundings, debt issues of $100 million during each of the years 1993 through 1995 (inclusive), $200 million in 1996, and $100 million in 1997 are currently anticipated. A preferred stock issue of $100 million is anticipated in 1997.

Clean Air Act

Two portions, or Titles, of the 1990 Amendments to the Clean Air Act mandate significant nationwide reductions in nitrogen oxide ("NOx") and sulfur dioxide ("SO2") emissions (Title IV) and require additional air quality improvements for a number of targeted areas throughout the country (Title I).

Phase I of Title IV, which becomes effective in 1995, is not expected to significantly impact Wisconsin Electric because of prior actions taken to meet the strict SO2 emission limitations required by the recently effective State of Wisconsin acid rain law. The compliance strategy for Phase I of Title IV of the federal law calls for continued use of low sulfur coal and the installation of low NOx burners and continuous emission monitoring equipment at Wisconsin Electric's Oak Creek Power Plant. Equipment costs, estimated at $9 million based on today's costs, along with additional operating expenses are expected to increase electric rates by less than 1 percent.

Wisconsin Electric is projecting a surplus of SO2 allowances during the Phase I period and will also seek additional SO2 allowances which may be available as a result of its energy conservation programs. Wisconsin Electric will employ SO2 allowance trading as an integral component of its least cost SO2 emission reduction compliance plan. Revenues from the sale of surplus allowances will be used to offset any future rate increases.

The compliance strategy for Phase II of Title IV, which requires continuous emission monitoring at all fossil fuel power plants by 1995 and additional SO2 and NOx emission reductions by the year 2000, includes installation of continuous emission monitoring equipment on the remaining company boilers, fuel switching and installation of NOx control equipment, if needed.

In Southeastern Wisconsin, ozone levels at times have exceeded applicable federal standards. Since NOx emissions have been linked to the formation of ozone, further NOx reductions beyond those required under Title IV will be necessary. Title I (the ozone nonattainment provision) of the Clean Air Act requires reduction of NOx emissions from Wisconsin Electric's power plants located in Southeastern Wisconsin in multiple steps. The first step will require installation of low NOx burners at Wisconsin Electric's Valley Power Plant prior to May 31, 1995. The extent of NOx emission reduction required by subsequent steps will be determined by the DNR prior to 1995, with potential additional NOx reduction equipment required by the end of the decade.

Equipment costs for Phase II of Title IV and the first step of Title I compliance described above are not expected to exceed $75 million based on today's costs and could increase electric rates by 1 to 2 percent. Because the regulations are just now being issued by the EPA, these cost and rate estimates are subject to change and will be reevaluated upon review of the published regulations.

WISCONSIN ELECTRIC POWER COMPANY

INCOME STATEMENT

Year Ended December 31

	1992	1991	1990
		(Thousands of Dollars)	
Operating Revenues			
Electric	$1,298,723	$1,292,809	$1,208,045
Steam	13,093	12,986	12,126
Total Operating Revenues	1,311,816	1,305,795	1,220,171
Operating Expenses			
Fuel (Note B)	266,716	291,271	263,889
Purchased power	63,745	65,261	50,916
Other operation expenses (Note C)	318,253	295,654	268,345
Maintenance	143,618	136,142	128,675
Depreciation (Note D)	148,967	133,997	131,981
Taxes other than income taxes	68,380	57,916	63,269
Federal income tax (Note E)	61,235	73,854	59,442
State income tax (Note E)	14,783	16,889	15,035
Deferred income taxes - net (Note E)	10,083	6,148	17,507
Investment tax credit - net (Note E)	(3,960)	(4,381)	(5,087)
Total Operating Expenses	1,091,820	1,072,751	993,972
Operating Income	219,996	233,044	226,199
Other Income and Deductions			
Interest income	13,624	15,688	32,603
Allowance for other funds used during construction (Note F)	6,936	7,227	5,845
Miscellaneous - net	6,547	6,649	8,029
Federal income tax (Note E)	(1,127)	(1,292)	(6,678)
State income tax (Note E)	(630)	(843)	(2,318)
Total Other Income and Deductions	25,350	27,429	37,481
Income Before Interest Charges	245,346	260,473	263,680
Interest Charges			
Long-term debt	84,843	77,615	79,806
Other interest	2,414	4,849	835
Allowance for borrowed funds used during construction (Note F)	(3,653)	(3,560)	(2,879)
Total Interest Charges	83,604	78,904	77,762
Net Income	161,742	181,569	185,918
Preferred Stock Dividend Requirement	5,916	5,928	5,928
Earnings Available for Common Stockholder	$ 155,826	$ 175,641	$ 179,990

Note: Earnings and dividends per share of common stock are not applicable because all of the company's common stock is owned by Wisconsin Energy Corporation.

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

STATEMENT OF CASH FLOWS

Year Ended December 31

	1992	1991	1990
		(Thousands of Dollars)	
Operating Activities:			
Net income	$161,742	$181,569	$185,918
Reconciliation to cash:			
Depreciation	148,967	133,997	131,981
Nuclear fuel expense - amortization	20,818	22,139	23,507
Conservation expense - amortization	13,009	10,175	5,950
Deferred income taxes - net	10,083	6,148	17,507
Investment tax credit - net	(3,960)	(4,381)	(5,087)
Allowance for other funds used during construction	(6,936)	(7,227)	(5,845)
Change in: Accounts receivable	9,993	(6,308)	(6,366)
Inventories	(5,294)	11,670	(13,246)
Accounts payable	9,195	(6,790)	(9,431)
Other current assets	(10,073)	(2,413)	8,197
Other current liabilities	(3,664)	3,452	(14,657)
Other	12,755	(776)	(6,041)
Cash Provided by Operating Activities	356,635	341,255	312,387
Investing Activities:			
Construction expenditures	(293,589)	(215,446)	(176,954)
Allowance for borrowed funds used during construction	(3,653)	(3,560)	(2,879)
Nuclear fuel	(17,709)	(19,728)	(20,121)
Nuclear decommissioning trust	(20,212)	(19,358)	(17,248)
Conservation investments - net	(31,087)	(19,986)	(29,325)
Change in construction funds held by trustee	1,930	37,813	9,735
Other	(746)	(15)	11,863
Cash Used in Investing Activities	(365,066)	(240,280)	(224,929)
Financing Activities:			
Sale of long-term debt	567,360	124,221	25,793
Retirement of long-term debt	(495,940)	(27,552)	(61,925)
Change in short-term debt	34,820	(16,900)	55,804
Retirement of preferred stock	(2,035)	-	-
Dividends on stock - common	(65,000)	(167,745)	(175,021)
- preferred	(5,928)	(5,928)	(5,928)
Cash Provided by (Used in) Financing Activities	33,277	(93,904)	(161,277)
Change in Cash and Cash Equivalents	$ 24,846	$ 7,071	$(73,819)

	1992	1991	1990
Supplemental information disclosures:			
Cash Paid For:			
Interest (net of amount capitalized)	$ 82,193	$ 78,332	$ 78,455
Income taxes	82,126	90,981	84,383

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

December 31

ASSETS

	1992	1991
	(Thousands of Dollars)	
Utility Plant		
Electric	$3,821,490	$3,598,699
Steam	33,177	31,975
	3,854,667	3,630,674
Accumulated provision for depreciation	(1,668,264)	(1,548,775)
	2,186,403	2,081,899
Construction work in progress	181,451	128,865
Nuclear fuel - net (Note B)	53,800	56,899
Net Utility Plant	2,421,654	2,267,663
Other Property and Investments		
Nuclear decommissioning trust fund (Note B)	203,050	182,838
Construction funds held by trustees	23,556	25,486
Conservation investments	117,964	99,842
Other	3,482	4,234
Total Other Property and Investments	348,052	312,400
Current Assets		
Cash and cash equivalents	52,029	27,183
Accounts receivable, net of allowance for doubtful accounts - $6,842 and $7,121	74,868	84,861
Accrued utility revenues	92,328	86,046
Fossil fuel (at average cost)	70,122	64,877
Materials and supplies (at average cost)	72,371	72,322
Prepayments	47,117	44,989
Other assets	6,904	5,241
Total Current Assets	415,739	385,519
Deferred Charges and Other Assets		
Accumulated deferred income taxes	61,396	60,245
Other	39,004	26,306
Total Deferred Charges and Other Assets	100,400	86,551
Total Assets	$3,285,845	$3,052,133

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

December 31

CAPITALIZATION AND LIABILITIES

	1992	1991
	(Thousands of Dollars)	
Capitalization (See Capitalization Statement)		
Common stock equity	$1,294,099	$1,203,220
Preferred stock - redemption not required	30,451	30,451
Preferred stock - redemption required	67,900	70,000
Long-term debt	1,127,310	1,040,572
Total Capitalization	2,519,760	2,344,243
Current Liabilities		
Long-term debt due currently	19,633	14,901
Notes payable - commercial paper	73,724	38,904
Accounts payable	70,010	60,815
Payroll and vacation accrued	26,018	23,227
Taxes accrued - income and other	11,706	16,017
Interest accrued	17,023	18,807
Other	4,813	5,173
Total Current Liabilities	222,927	177,844
Deferred Credits and Other Liabilities		
Accumulated deferred income taxes	415,076	399,967
Accumulated deferred investment tax credits	96,233	100,304
Other	31,849	29,775
Total Deferred Credits and Other Liabilities	543,158	530,046
Commitments and Contingencies (Note L)		
Total Capitalization and Liabilities	$3,285,845	$3,052,133

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

CAPITALIZATION STATEMENT

December 31

		1992	1991
		(Thousands of Dollars)	
Common Stock Equity (See Common Stock Equity Statement)			
Common stock ($10 par value; authorized 65,000,000 shares; outstanding - 33,289,327 shares)		$ 332,893	$ 332,893
Other paid in capital		142,527	142,462
Retained earnings		818,679	727,865
Total Common Stock Equity		1,294,099	1,203,220
Preferred Stock - Cumulative			
Six Per Cent. Preferred Stock - $100 par value; authorized 45,000 shares; outstanding - 44,508 shares		4,451	4,451
Serial preferred stock - $100 par value; authorized 2,360,000 shares; outstanding -			
3.60% Series - 260,000 shares		26,000	26,000
Total Preferred Stock - Redemption Not Required (Note H)		30,451	30,451
6.75% Series - 679,000 and 700,000 shares		67,900	70,000
Total Preferred Stock - Redemption Required (Note H)		67,900	70,000
Long-Term Debt			
First mortgage bonds			
Series	Due		
4-1/2%	1993	-	4,985
5-7/8%	1996 (Note I)	27,726	36,707
5-7/8%	1997	130,000	-
6-1/2%	1997	-	11,191
6-7/8%	1997	-	37,580
6-5/8%	1998	-	9,676
6-7/8%	1998	-	33,360
6.10 %	1999-2008	25,000	25,000
6.25 %	1999-2008	1,000	1,000
6-1/2%	1999	40,000	-
6-5/8%	1999	51,000	-
7-1/4%	1999	-	38,929
8-3/8%	1999	-	39,230
8-1/2%	1999	-	11,678
6.45 %	2004	12,000	12,000
7-1/4%	2004	140,000	-
6.45 %	2006	4,000	4,000
8-3/4%	2006	-	59,897
6.50 %	2007-2009	10,000	10,000
8-7/8%	2008	-	79,934
9-3/4%	2015	46,350	46,350
8-1/2%	2016 (Note I)	100,000	100,000
9-5/8%	2018 (Note I)	-	100,000
6.85 %	2021	9,000	9,000
9.85 %	2023 (Note I)	100,000	100,000
9-1/8%	2024	60,000	60,000
8-3/8%	2026	100,000	100,000
7.70%	2027	200,000	-
		1,056,076	930,517
Debentures (unsecured)			
7% Series due 1993		-	23,985
Note (unsecured)			
Variable rate due 2016		67,000	67,000
Obligations under capital lease (Note B)		42,604	43,248
Unamortized discount - net		(18,737)	(9,277)
Long-term debt due currently		(19,633)	(14,901)
Total Long-Term Debt (Note I)		1,127,310	1,040,572
Total Capitalization		$2,519,760	$2,344,243

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

COMMON STOCK EQUITY STATEMENT

	Common Stock Shares	Common Stock $10 Par Value	Other Paid In Capital	Retained Earnings	Total
			(Thousands of Dollars)		
Balance - December 31, 1989	33,289,327	$332,893	$142,462	$715,000	$1,190,355
Net income				185,918	185,918
Cash dividends					
Common stock				(190,021)	(190,021)
Preferred stock				(5,928)	(5,928)
Balance - December 31, 1990	33,289,327	332,893	142,462	704,969	1,180,324
Net income				181,569	181,569
Cash dividends					
Common stock				(152,745)	(152,745)
Preferred stock				(5,928)	(5,928)
Balance - December 31, 1991	33,289,327	332,893	142,462	727,865	1,203,220
Net income				161,742	161,742
Cash dividends					
Common stock				(65,000)	(65,000)
Preferred stock				(5,928)	(5,928)
Other			65		65
Balance - December 31, 1992	33,289,327	$332,893	$142,527	$818,679	$1,294,099

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

NOTES TO FINANCIAL STATEMENTS

A - Summary of Significant Accounting Policies

General

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

Revenues

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

Fuel

The cost of fuel is expensed in the period consumed.

Property

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

Income Taxes

Beginning in 1991, pursuant to a PSCW order, comprehensive interperiod income tax allocation was adopted for federal and state timing differences. In prior years deferred income tax accounting was applied primarily to significant federal timing differences. (See Note E.)

The federal investment tax credit is accounted for on the deferred basis and is reflected in income ratably over the life of the related property.

Debt Premium, Discount and Expense

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

Statement of Cash Flows

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

Conservation Investments

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

B - Nuclear Operations

The company has a nuclear fuel leasing arrangement with Wisconsin Electric Fuel Trust (Trust), which is treated as a capital lease. The nuclear fuel is leased for a period of 60 months or until the removal of the fuel from the reactor, if earlier. Lease payments include charges for the cost of fuel burned, financing costs and a management fee. In the event the company or the Trust terminates the lease, the Trust would recover its unamortized cost of nuclear fuel from the company. Under the lease terms, the company is in effect the ultimate guarantor of the Trust's commercial paper and line of credit borrowings financing the investment in nuclear fuel.

Provided below is a summary of nuclear fuel investment and interest expense on the nuclear fuel lease:

	1992	1991	1990
	(Thousands of Dollars)		
Nuclear Fuel			
Under capital lease	$ 92,807	$ 94,703	
Accumulated provision for amortization	(54,786)	(55,816)	
In process/stock	15,779	18,012	
Total nuclear fuel	$ 53,800	$ 56,899	
Interest expense on nuclear fuel lease	$ 2,098	$ 3,174	$ 3,992

The future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of December 31, 1992 are as follows:

	(Thousands of Dollars)
1993	$20,481
1994	13,976
1995	7,758
1996	2,718
1997	473
Total Minimum Lease Payments	45,406
Less: Interest	(2,802)
Present Value of Net Minimum Lease Payments	$ 42,604

The estimated cost of disposal of spent fuel based on a contract with the U.S. Department of Energy (DOE) is included in nuclear fuel expense. The Energy Policy Act of 1992 establishes a Uranium Enrichment Decontamination and Decommissioning fund (fund) for the DOE's nuclear fuel enrichment facilities. Deposits to the fund will be derived in part from special assessments to utilities. The company's total assessment for the fund, to be made over a fifteen year period, is estimated to be $34,500,000. Assessments are included in nuclear fuel expense and reflected in utility rates.

Nuclear plant decommissioning is accrued as depreciation expense based on an external sinking fund method. Total decommissioning is estimated at $265 million in 1992 dollars.

The Price-Anderson Act (Act) provides an aggregate limitation of $7.8 billion on public liability claims arising out of a nuclear incident. The company has $200 million of liability insurance from commercial sources. The Act also establishes an industry-wide retrospective rating plan under which nuclear reactor owners could be assessed up to $66 million per reactor (the company owns two), but not more than $10 million in any one year for each reactor, in the event of a nuclear incident.

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

The company has property damage, decontamination and decommissioning insurance totaling $1.825 billion for loss from damage at the Point Beach Nuclear Plant with Nuclear Mutual Limited (NML) and Nuclear Electric Insurance Limited (NEIL). Under these NML and NEIL policies, the company has potential maximum retrospective premium liability of $6.9 million and $14.4 million, respectively.

The company also maintains additional insurance with NEIL covering extra expenses of obtaining replacement power during a prolonged accidental outage (in excess of 21 weeks) at the Point Beach Nuclear Plant. This insurance coverage provides weekly indemnities of $3.5 million per unit for outages during the first year, declining to 67% of the amounts during the second and third years. Under the policy, the company's maximum retrospective premium liability is approximately $9.3 million.

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

C - Pension Plans and Other Postretirement Benefits

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

The following information has been provided in accordance with Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (FAS 87). The company has several noncontributory pension plans covering all eligible employees. Pension benefits are based on years of service and the employee's compensation. The majority of the plans' assets are equity securities; other assets include corporate and government bonds, guaranteed investment contracts and real estate. The plans are funded to meet the requirements of the Employee Retirement Income Security Act of 1974.

	1992	1991	1990
	(Thousands of Dollars)		
Components of Net Periodic Pension Cost, Year Ended December 31 -			
Cost of pension benefits earned by employees	$ 8,290	$ 7,523	$ 7,092
Interest cost on projected benefit obligation	28,874	27,394	25,769
Actual return on plan assets	(14,090)	(88,243)	(12,254)
Net amortization and deferral	(30,216)	51,694	(26,655)
Total pension cost calculated under FAS 87	$ (7,142)	$ (1,632)	$ (6,048)
Actuarial Present Value of Accumulated Benefit Obligation, at December 31 -			
Vested benefits-employees' right to receive benefit no longer contingent upon continued employment	$ 304,769	$278,905	
Nonvested benefits-employees' right to receive benefit contingent upon continued employment	5,905	5,544	
Total obligation	$ 310,674	$284,449	
Funded Status of Plans: Pension Assets and Obligations at December 31 -			
Pension assets at fair market value	$ 461,954	$464,212	
Projected benefit obligation at present value	(379,587)	(362,781)	
Unrecognized transition asset	(27,937)	(30,379)	
Unrecognized prior service cost	14,980	15,963	
Unrecognized net gain	(50,112)	(79,065)	
Projected status of plans	$ 19,298	$ 7,950	
Rates used for calculations (%) -			
Discount Rate-interest rate used to adjust for the time value of money	8.0	8.0	8.5
Assumed rate of increase in compensation levels	5.0	5.0	5.5
Expected long-term rate of return on pension assets	9.0	9.0	9.0

C - Pension Plans and Other Postretirement Benefits - (Cont'd)

For years prior to 1993 the PSCW recognized funded amounts for ratemaking and the company charged these amounts to expense as paid. Pension expense was $3,962,000 in 1992, $3,739,000 in 1991 and $584,000 in 1990. Effective in 1993, the PSCW adopted FAS 87 for ratemaking and the company will charge pension cost calculated under FAS 87 to expense.

The company provides life insurance for retirees and medical insurance benefits for participating retired employees and their dependents. The cost of these postretirement benefits is expensed when paid and was $4,151,000 in 1992, $4,365,000 in 1991 and $4,342,000 in 1990. An Employees' Benefit Trust (Trust) is used to fund a major portion of postretirement life insurance benefits for current employees and retirees. Beginning in 1991, medical benefits for active employees and participating retired employees and their dependents are funded by payments to the Trust. Beginning in 1992, current life insurance benefits for current employees are also funded by payments to the Trust.

In 1990, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (FAS 106). This standard requires the accrual of postretirement benefits other than pensions during the employee's period of service and permits recognition of the transition obligation (the unfunded and unrecognized accumulated postretirement benefit obligation) in the initial year of implementation or over periods up to 20 years for the company. The company adopted the standard prospectively in 1993 and elected the 20 year transition option. The PSCW has issued an order recognizing FAS 106 for ratemaking; therefore adoption has no material impact on net income. The current accumulated postretirement benefit obligation net of amounts previously funded is estimated to be $82 million.

D - Depreciation

Depreciation expense is accrued at straight line rates, certified by the PSCW, which include estimates for salvage and removal costs.

Depreciation as a percent of average depreciable utility plant was 4.1% in 1992, 4.0% in 1991, and 4.1% in 1990.

Nuclear plant decommissioning is accrued as depreciation expense. See Note B.

E - Income Taxes

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

	1992	1991	1990
	(Thousands of Dollars)		
Current tax expense	$ 77,775	$ 92,878	$ 83,473
Investment tax credit-net	(3,960)	(4,381)	(5,087)
Deferred tax expense	10,083	6,148	17,507
Total tax expense	$ 83,898	$ 94,645	$ 95,893
Income before income taxes	$245,640	$276,214	$281,811
Expected tax at federal statutory rate	$ 83,518	$ 93,913	$ 95,816
State income tax net of federal tax reduction	12,242	13,820	11,120
Investment tax credit restored	(4,071)	(4,394)	(5,142)
Other (no item over 5% of expected tax)	(7,791)	(8,694)	(5,901)
Total tax expense	$ 83,898	$ 94,645	$ 95,893

Beginning in 1991, pursuant to a PSCW order, deferred income tax accounting was adopted for federal and state timing differences. In prior years deferred income tax accounting was applied primarily to significant federal timing differences. Previously unrecorded deferred income taxes are being recorded ratably over the remaining life of the related property. The cumulative amount of timing differences for which deferred income taxes have not been provided was approximately $44 million and $43 million for federal tax purposes and $317 million and $332 million for state tax purposes on December 31, 1992 and 1991 respectively. Any tax effect of these amounts is expected to be recovered through future utility rates.

In 1992 the FASB issued Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FAS 109). This standard requires the recording of deferred assets and liabilities to recognize the expected future tax consequences of events that have been reflected in the company's financial statements or tax returns, the adjustment of deferred tax balances to reflect tax rate changes and the recognition of previously unrecorded deferred taxes. The company has adopted FAS 109 prospectively in 1993. At the time of adoption the company recorded deferred assets and liabilities of approximately $170 million. This includes deferred taxes and regulatory assets and liabilities which represent the future expected impact of deferred taxes on utility revenues. Adoption had no material effect on net income.

F - Allowance for Funds Used During Construction (AFUDC)

AFUDC is included in utility plant accounts and represents the cost of borrowed funds used during plant construction and a return on stockholders' capital used for construction purposes. On the income statement the cost of borrowed funds (before income taxes) is a reduction of interest expense and the return on stockholders' capital is an item of noncash other income.

Utility rates approved by the PSCW provide for a current return on investment for selected long-term projects included in construction work in progress (CWIP). AFUDC was capitalized on the remaining CWIP at a rate of 11.10% in 1992, 11.16% in 1991, and 11.13% in 1990, as approved by the PSCW.

G - Transactions with Associated Companies

Managerial, financial, accounting, legal, data processing and other services may be rendered between associated companies and are billed in accordance with service agreements approved by the PSCW. The company also buys gas from Wisconsin Natural (WN), another subsidiary of Wisconsin Energy Corporation, for electric generation at rates approved by the PSCW.

H - Preferred Stock

Serial Preferred Stock authorized but unissued is cumulative, $25 par value, 5,000,000 shares.

In the event of default in the payment of preferred dividends or in the mandatory redemption requirements, no dividends or other distributions may be paid on the company's common stock.

Redemption Not Required -

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

Redemption Required -

The 6.75% Series Preferred Stock has a redemption requirement of 21,000 shares at par value annually on each June 1 beginning in 1993 (with a noncumulative option to redeem up to 31,500 additional shares annually) with redemption of the remaining shares required on June 1, 2026. In addition to the mandatory redemption, the company may at its option redeem the stock at $106.75 per share plus any accrued dividends prior to June 1, 1992 and at declining amounts thereafter to $100 per share plus any accrued dividends, on or after June 1, 2002.

In 1992, in anticipation of future sinking fund requirements, the company purchased on the open market 21,000 shares of its 6.75% Series Preferred Stock.

I - Long-Term Debt

The maturities and sinking fund requirements through 1997 for the aggregate amount of long-term debt outstanding (excluding obligations under capital lease, see Note B) at December 31, 1992 are shown below.

1993	$ 300,000
1994	300,000
1995	300,000
1996	28,026,000
1997	130,000,000

Sinking fund requirements for the years 1993 through 1997, included in the table above, are $1,200,000, all of which has been anticipated by the advance purchase of bonds. Substantially all utility plant is subject to the applicable mortgage.

In December 1992 the company called for redemption in January 1993 all $100 million of First Mortgage Bonds, 9-5/8% Series due 2018, and made an irrevocable transfer of funds to a trustee, effecting the extinguishment of the 9-5/8% Series bonds.

In January 1993 the company issued $100 million of First Mortgage Bonds, 7-3/4% Series due 2023. Proceeds of the issue will be used to refund the company's $100 million of First Mortgage Bonds, 9.85% Series due 2023, which were called for redemption on April 15, 1993.

In March 1993 the company issued $30 million of First Mortgage Bonds, 4-1/2% Series due 1996 and $100 million of First Mortgage Bonds, 7-1/8% Series due 2016. Proceeds of the issues will be used to refund the company's $27,726,000 of First Mortgage Bonds, 5-7/8% Series due 1996 and $100 million of First Mortgage Bonds, 8-1/2% Series due 2016, which were called for redemption on April 2, 1993.

J - Notes Payable

Unused lines of credit for short-term borrowing amounted to $101,600,000 at December 31, 1992. In support of various informal lines of credit from banks, the company has agreed to maintain unrestricted compensating balances or to pay commitment fees; neither the compensating balances nor the commitment fees are significant.

The company has entered into a contract which effectively fixes the interest rate on up to $24 million of commercial paper at approximately 5% through November 15, 1993.

K - Fair Value of Financial Instruments

The FASB issued, for adoption by 1992, Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments (FAS 107). This standard requires, if practicable, disclosure of the fair value of financial instruments, both assets and liabilities recognized and not recognized in the balance sheet. The fair values provided below represent the amounts at which the financial instruments could have been exchanged between willing parties on December 31.

The fair value of the nuclear decommissioning trust fund is estimated based on market value. The fair values of the company's preferred stock - redemption required, and First Mortgage Bonds are estimated based on the quoted market value for the same or similar issues. The fair value of the company's obligations under capital lease is the market value of the Wisconsin Electric Fuel Trust's commercial paper. The value of financial instruments recognized on the balance sheet, for which book value does not approximate fair value, is as follows:

	December 31 1992	
	Book Value	Fair Value
	(Thousands of dollars)	
Nuclear Decommissioning Trust Fund	$203,050	$213,049
Preferred Stock - Redemption Required	67,900	65,863
First Mortgage Bonds	1,056,076	1,066,491
Obligations Under Capital Lease	42,604	42,993

The fair value of Construction Funds Held by Trustee is estimated at book value, due to the short maturity of the investments held by the trustee. For conservation loans, current assets and liabilities, other liabilities, and the variable rate note, book value is assumed to approximate fair value.

L - Commitments and Contingencies

Plans for the construction and financing of future additions to utility plant can be found elsewhere in this report in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

M - Information by Segments of Business

Year ended December 31	1992	1991	1990
	(Thousands of Dollars)		
Electric Operations			
Operating revenues	$1,298,723	$1,292,809	$1,208,045
Operating income before income taxes	299,902	323,075	311,130
Depreciation	147,859	132,912	130,970
Construction expenditures	292,031	212,408	174,891
Steam Operations			
Operating revenues	13,093	12,986	12,126
Operating income before income taxes	2,235	2,479	1,966
Depreciation	1,108	1,085	1,011
Construction expenditures	1,530	2,803	1,716
Total			
Operating revenues	1,311,816	1,305,795	1,220,171
Operating income before income taxes	302,137	325,554	313,096
Depreciation	148,967	133,997	131,981
Construction expenditures (including nonutility)	293,589	215,446	176,954
At December 31			
Net Identifiable Assets			
Electric	$3,262,031	$3,028,283	$2,951,217
Steam	20,972	20,963	18,698
Nonutility	2,842	2,887	2,988
Total Assets	$3,285,845	$3,052,133	$2,972,903

DIRECTORS

The information in "Information Concerning Nominees for Directors" appearing on pages 2-3 of Wisconsin Electric's definitive Information Statement dated April 15, 1993, attached hereto, is incorporated herein by reference.

EXECUTIVE OFFICERS

The information in "Executive Officers" appearing on page 3 of Wisconsin Electric's definitive Information Statement dated April 15, 1993, attached hereto, is incorporated herein by reference.

100 East Wisconsin Avenue
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Milwaukee, WI 53202

Telephone 414 276 9500

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheet and capitalization statement and the related statements of income, of common stock equity and of cash flows present fairly, in all material respects, the financial position of Wisconsin Electric Power Company at December 31, 1992 and 1991, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

January 27, 1993