Wisconsin
Electric
POWER COMPANY

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

April 15, 1994

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 1993 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.

Sincerely,

Thomas H. Fehring
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, PO Box 2046, Milwaukee, WI 53201-2046 (414) 221-2345

April 15, 1994

Dear Stockholder:

Wisconsin Electric Power Company will hold its annual meeting of stockholders at 9:00 a.m. on Tuesday, May 10, 1994 at the Public Service Building, 231 West Michigan Street, Milwaukee, Wisconsin. We are not soliciting proxies for this meeting, as about 99% 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 invite you to attend Wisconsin Energy's annual meeting to be held Wednesday, May 11, 1994 at 1:30 p.m. The Wisconsin Energy meeting will be held at the Bradley Center, 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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 15, 1994

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 10, 1994, at 9:00 a.m., for the following purposes:

1. To elect a Board of Directors to hold office until the 1995 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 4, 1994 will be entitled to vote at the meeting.

By Order of the Board of Directors

Ann Marie Brady
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, 1994

This information statement is being furnished to stockholders beginning on or about April 15, 1994 in connection with the annual meeting of stockholders of Wisconsin Electric Power Company (WE) to be held on May 10, 1994, 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 4, 1994, WE had outstanding 44,508 shares of Six Per Cent. Preferred Stock; 312,500 shares of Serial Preferred Stock ($100 par value), consisting of 260,000 shares of 3.60% Series and 52,500 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 4, 1994 will be entitled to vote at the meeting. A majority of the shares entitled to vote shall constitute a quorum. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. "Plurality" means that the individuals who receive the largest number of votes are elected as directors up to the maximum number of directors to be chosen in the election. Therefore, any shares not voted, whether by withheld authority, broker non-vote or otherwise, have no effect in the election of directors.

All of WE's outstanding common stock, representing 99% 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 11, 1994 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 1993 the Board held twelve regular meetings and three special meetings. None of the incumbent directors attended fewer than 86% of the total number of meetings of the Board and the committees on which they served.

On November 24, 1993, the Board of Directors elected Robert A. Cornog, Chairman, President and Chief Executive Officer of Snap-on Tools Corporation, as a director of WE to fill the vacancy on the Board created by the retirement on June 30, 1993 of Charles S. McNeer. This election is subject to authorization of the Federal Energy Regulatory Commission (FERC) and will be effective with the date of authorization by the FERC. FERC authorization is required because Mr. Cornog is also a director of Johnson Controls, Inc. which supplies WE with electrical equipment. WE does not expect that the FERC will deny Mr. Cornog's directorship as the total dollar volume of purchases by WE from Johnson Controls, Inc. including electrical equipment purchases, is minimal, ranging from .031% to .108% of WE's total annual purchases of materials, supplies and equipment during the past four calendar years. As of April 1, 1994, FERC authorization is pending. In the unlikely event that the FERC denies Mr. Cornog's WE directorship, the Board reserves the right to name another nominee to fill this vacant director position.

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 1993, 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, Reid, Stratton and Udell are regular members of the Executive Committee; all other directors are alternate members. The Compensation Committee, which met four times in 1993, 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. Mr. Cornog has been designated a member of the Compensation Committee effective with the date of authorization of his directorship by the FERC.

INFORMATION CONCERNING NOMINEES FOR DIRECTORS

At the 1994 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, 1993. Wisconsin Energy Corporation's principal subsidiaries are WE and Wisconsin Natural Gas Company (Wisconsin Natural).

NOMINEES FOR DIRECTORS (FOR TERMS EXPIRING IN 1995)

RICHARD A. ABDOO. Age 49. 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. 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. Executive Vice President of WEC from January 1990 to May 1991. 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 47. President and Chief Executive Officer of Bergstrom Corporation since 1974; Bergstrom Corporation owns and operates twelve automobile dealerships, three hotels, a convention center, 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, Midwest Express Airlines, Inc. and Universal Foods Corporation.

JOHN W. BOSTON. Age 60. President and Chief Operating Officer of WE since 1990 and of Wisconsin Natural since April 1994. 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. Director of Wisconsin Natural since March 1994.

ROBERT A. CORNOG. Age 53. Chairman of the Board, President and Chief Executive Officer of Snap-on Tools Corporation, a tool manufacturer, since 1991. President of Macwhyte Company, a maker of wire rope and a subsidiary of Amsted Industries, from 1981 to 1991. Director-designate of WE. Director of WEC since 1993. Director of Snap-on Tools Corporation and Johnson Controls, Inc.

ROBERT H. GORSKE. Age 61. 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 64. Corporate Director. President and Chief Executive Officer of Family Service America, Inc., an organization representing private agencies in the United States and Canada that provide human service programs, from 1983 to March 1994. Director of WE and WEC since 1988. Director of Firstar Bank Milwaukee, N.A.

JOHN L. MURRAY. Age 66. 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, The Marcus Corporation, Twin Disc, Inc. and Universal Foods Corporation.

DAVID K. PORTER. Age 50. 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 68. 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 62. Chief Financial Officer of WE, WEC and Wisconsin Natural since 1989. Vice President of WEC since January 1994. Treasurer of WEC since 1981. Senior Vice President of WE and Vice President-Finance of Wisconsin Natural from 1989 to 1993. 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 54. 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 58. 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. The WE Bylaws 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.

STOCK OWNERSHIP OF DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS

WE directors, nominees and executive officers as a group (15 persons) do not own any of WE's stock, but beneficially own 74,801 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, nominee and named executive officer as of February 28, 1994. 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 (MESP).

Name	Number of Shares	Name	Number of Shares	Name	Number of Shares
R. A. Abdoo	11,781	R. H. Gorske	14,432	M. W. Reid	3,273
J. F. Bergstrom	3,000	G. B. Johnson	2,053	J. G. Remmel	5,827
J. W. Boston	3,911	J. L. Murray	3,000	F. P. Stratton, Jr.	3,600
R. A. Cornog	1,000	D. K. Porter	8,062	J. G. Udell	5,877(1)

(1) Dr. Udell disclaims beneficial ownership of 2,521 of such shares.

Each person has sole voting and investment power as to all shares listed for such person except that the following persons have shared voting and/or investment power as to the indicated number of shares so listed: Mr. Boston (2,562), Mr. Gorske (356), Mr. Stratton (1,500), and Dr. Udell (2,521) and all directors and executive officers as a group (9,659).

The above beneficial ownership information is based on information furnished by the specified persons and is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as required for purposes of this information statement. It is not necessarily to be construed as an admission of beneficial ownership for other purposes.

COMPENSATION

DIRECTORS' COMPENSATION

Since 1991 and continuing through 1993, 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. Director Reid also received a one-time payment of $5,000 for special services rendered in 1993 as chairman of the WE and WEC compensation committees in connection with the development and establishment of a long-term incentive plan for key executives of WEC and its subsidiaries, including WE. In this regard, Director Reid examined comparable practices of other corporations and prepared an extensive study of long-term incentive plan alternatives for consideration by the compensation committees. 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 pursuant to an established plan which accrues interest semiannually at the prime rate on the amounts which have been deferred. Such deferral amounts are credited to an unsecured account in the name of each participating director on the books of WE and are payable only following termination of the director's service to WE. Employee directors receive no directors' fees.

EXECUTIVE OFFICERS' COMPENSATION

The following table summarizes certain information concerning compensation awarded to, earned by or paid to WE's Chief Executive Officer and each of WE's other four most highly compensated executive officers for services in all capacities to WEC and its subsidiaries, including WE, for the last three fiscal years. The amounts shown in this and all subsequent tables in this information statement are WEC consolidated compensation data. Consequently, the information for 1992 and 1991 will differ from that reported previously, which related only to services rendered to WE. The portion of time devoted by each officer to WE, as determined by the percent of time each officer worked for WE versus the other affiliated companies, is as follows: Mr. Abdoo (79%), Mr. Boston (98%), Mr. Gorske (88%), Mr. Remmel (79%) and Mr. Porter (90%).

SUMMARY COMPENSATION TABLE

Name and Principal Position(1)	Year	Annual Compensation			Long-Term Compensation Awards	
		Salary ($)	Bonus ($)	Other Annual Compensation ($) (2)	Securities Underlying Options/SARs (#) (3)	All Other Compensation ($) (2) (4)
Richard A. Abdoo						
Chairman of the Board	1993	450,000	122,000	0	22,500	15,170
and Chief Executive Officer	1992	429,167	59,500	3,153	0	12,875
	1991	389,167	65,000		0	
John W. Boston						
President and Chief	1993	262,000	56,000	0	0	8,876
Operating Officer	1992	247,667	33,900	3,067	0	7,430
	1991	244,000	39,024		0	
Robert H. Gorske						
Vice President and	1993	205,000	44,000	0	0	6,928
General Counsel	1992	196,500	20,000	3,067	0	5,895
	1991	186,667	28,000		0	
Jerry G. Remmel						
Senior Vice President	1993	190,000	41,000	0	0	6,406
	1992	181,500	22,000	3,153	0	5,445
	1991	166,667	23,333		0	
David K. Porter						
Senior Vice President	1993	185,000	20,000	0	6,500	6,242
	1992	178,167	17,500	3,497	0	5,345
	1991	162,000	25,920		0	

(1) Principal position at WE during 1993 is listed; each of the named executive officers also held positions with one or more of WE's affiliated companies.

(2) In accordance with the transitional provisions applicable to the revised rules on executive compensation disclosure adopted by the Securities and Exchange Commission, amounts of "Other Annual Compensation" and "All Other Compensation" are not presented for 1991.

(3) Grants in 1993 were in combination with contingent dividend awards, as described in the table entitled "Long-Term Incentive Plans--Awards in Last Fiscal Year".

(4) All Other Compensation for 1993 for Messrs. Abdoo, Boston, Gorske, Remmel and Porter, respectively, includes: (i) employer matching of contributions by each named executive into the MESP in the amounts of $4,497, $4,497, $4,497, $4,182 and $4,497, respectively, (ii) "make whole" payments under the Executive Deferred Compensation Plan with respect to matching in the MESP on deferred salary or salary received but not otherwise eligible for matching in the amounts of $9,003, $3,363, $1,653,

$1,518 and $1,053, respectively, and (iii) term life insurance premiums in the amounts of $1,670, $1,016, $778, $706, and $692, respectively.

In connection with the proposed 1993 Omnibus Stock Incentive Plan (the "Plan"), which is subject to WEC stockholder approval at the May 11, 1994 WEC annual meeting, the stock options and contingent dividend awards granted in fiscal year 1993 to Messrs. Abdoo and Porter listed in the above table and as set forth below shall be null and void should WEC stockholder approval not be obtained.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

Individual Grants (1)					Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
Name	Number of Securities Underlying Options/SARs Granted(#)	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5% ($)	10% ($)
Richard A. Abdoo	22,500	33.5%	27.375	12/14/03	387,360	981,646
John W. Boston	0	N/A	N/A	N/A	N/A	N/A
Robert H. Gorske	0	N/A	N/A	N/A	N/A	N/A
Jerry G. Remmel	0	N/A	N/A	N/A	N/A	N/A
David K. Porter	6,500	9.7%	27.375	12/14/03	111,904	283,587

N/A = Not Applicable

(1) Consists of incentive and non-qualified stock options to purchase shares of WEC common stock granted pursuant to the 1993 Omnibus Stock Incentive Plan on December 15, 1993. These options were granted with an equal number of contingent dividend awards (as described in the table entitled "Long-Term Incentive Plans--Awards in Last Fiscal Year"), have exercise prices equal to the fair market value of the WEC shares on the date of grant and first become exercisable on December 15, 1997, at which time they become fully exercisable. Upon a "change in control" of WEC, as defined in the Plan, these options shall become immediately exercisable. These options were granted for a term of ten years, subject to earlier termination in certain events related to termination of employment. In the discretion of the WEC compensation committee, the exercise price may be paid by delivery of already owned shares and tax withholding obligations related to exercise may be satisfied by withholding shares otherwise deliverable upon exercise, subject to certain conditions. Subject to the limitations of the Plan, the WEC compensation committee has the power with the participant's consent to modify or waive the restrictions on vesting of these options, to amend these options and to grant extensions or to accelerate these options.

(2) The dollar amounts in these columns are the result of calculations at the 5% and 10% stock appreciation rates set by the Securities and Exchange Commission and therefore do not forecast possible future appreciation, if any, of WEC's common stock price. At the December 14, 2003 expiration date of the options granted in 1993, the price of a share of WEC common stock would be $44.59 at an assumed annual appreciation rate of 5% and $71.00 at an assumed annual appreciation rate of 10%. Gains to all WEC stockholders of record at year-end 1993 at those assumed annual appreciation rates would be approximately $1.8 billion and $4.6 billion, respectively. The total "Potential Realizable Value" for the named executive officers would represent less than .03% of such gains.

No stock options other than those granted pursuant to the proposed 1993 Omnibus Stock Incentive Plan were outstanding in the last fiscal year. Accordingly, no options were exercisable in 1993. The following table sets forth the number of options which were not exercisable and the value of such options based upon the difference between the exercise price and the market price of the underlying shares as of December 31, 1993.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End ($)	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Richard A. Abdoo	0	22,500	0	2,813
John W. Boston	N/A	N/A	N/A	N/A
Robert H. Gorske	N/A	N/A	N/A	N/A
Jerry G. Remmel	N/A	N/A	N/A	N/A
David K. Porter	0	6,500	0	813

N/A = Not Applicable

The following table shows long-term incentive awards made during 1993:

LONG-TERM INCENTIVE PLANS--AWARDS IN LAST FISCAL YEAR

Name	Number of Shares, Units or Other Rights (1)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans Target ($ or #) (2)
Richard A. Abdoo	22,500	12/14/97	$129,465
John W. Boston	0	N/A	N/A
Robert H. Gorske	0	N/A	N/A
Jerry G. Remmel	0	N/A	N/A
David K. Porter	6,500	12/14/97	$37,401

N/A = Not Applicable

(1) Consists of performance units awarded under the 1993 Omnibus Stock Incentive Plan in combination with stock options (as described in the table entitled "Option/SAR Grants in Last Fiscal Year" above). These performance units, entirely in the form of contingent dividends, will be paid if total shareholder return (appreciation in the value of WEC common stock plus dividends) over a four year period ending December 14, 1997 equals or exceeds the median return earned by the other companies included in an externally defined peer group (the companies included in the Peer Group Index in the Performance Graph section of WEC's proxy statement dated May 11, 1994), except that there will be no payout if WEC's total shareholder return is negative over the course of such period. If payable, each participant shall receive an amount equal to the actual dividends paid on WEC common stock for the period of December 15, 1993 through December 14, 1997 multiplied by the number of performance units awarded to such participant.

(2) Assumes, for purposes of illustration, 4% per year compound annual dividend increase based on the current quarterly dividend rate for WEC common stock.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

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.

Compensation Consultant

The Compensation Committee, comprised entirely of non-employee directors, 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, and the Compensation Committee's decisions regarding executive compensation have been based, in part, on such information.

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 and situated electric utilities. In determining competitive pay rates for WE's officer positions, the Committee relies primarily on an analysis of compensation (including base salary, annual bonus and long-term incentive grant values) for an externally defined peer group (i.e., the companies included in the Peer Group Index in the Performance Graph section of Wisconsin Energy Corporations's (WEC's) proxy statement dated May 11, 1994,) (the "peer companies"). Data are collected and analyzed for these companies from both recent proxy statements and from the Edison Electric Institute (EEI) survey. The Committee relies secondarily on a broader analysis of utility compensation rates. In this analysis, the Committee reviews compensation data from the entire EEI database, adjusted appropriately for company size. While the peer group is a carefully selected group of utilities of comparable size and offering comparable services, the Committee does not believe these companies to be the only direct competitors for WE's executive talent. The Committee reviews both peer group specific and broader industry pay practices to be fully informed of industry compensation levels. The Committee does not mathematically average the data from the two analyses but, rather, considers them as separate reads of the external market. While base salaries provide the basis for the executive compensation program, the Compensation Committee believes that a substantial portion of the total compensation package should be at risk, dependent on achievement of individual and corporate goals. Successful achievement of these goals is critical to meeting WE's longer-term financial, authorized rate of return on equity and WEC shareholder return goals. Accordingly, 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 goals and the long-term incentive compensation program specifically links a portion of each executive's compensation to the achievement of the longer-term goals of WE, including total return on shareholder equity. The long-term incentive plan, designated the 1993 Omnibus Stock Incentive Plan (OSIP), was adopted by the WE and WEC boards in 1993, subject to WEC stockholder approval at WEC's May 11, 1994 annual meeting.

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 the company's results over the most recent fiscal year and long-term incentive compensation tied to the company's results over a longer designated period of time). If the OSIP is approved by WEC stockholders, a greater portion of the executive's compensation will be at risk; the Compensation Committee believes that placing a greater proportion of executive compensation at risk will benefit WE. 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 and long-term incentive opportunities relative to the external market. As described earlier, the Committee primarily considers compensation practices at the peer companies, and secondarily reviews broader industry pay practices. The Committee periodically conducts an extensive review of peer group pay practices covering all elements of compensation (base salary, annual incentive and longer-term incentives), and is advised as to how these compensation practices differed from or were similar to broader utility industry practices. As general business and competitive factors dictate, the Compensation Committee recommends to the Board of Directors for approval adjustments to the level of base salary and 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, and reflects prevailing industry compensation practices.

Program Components

The executive compensation program currently consists of base salary, annual incentive compensation and long-term incentive compensation. Base salaries, annual incentive targets and long-term incentive grant guidelines are targeted at the 50th percentile of industry pay practices. As stated previously, the Committee primarily considers compensation practices at the peer companies in this review and has data presented to it from recent proxies and from the EEI survey in this regard. The Committee also reviews broader industry data from the entire EEI database, consisting of approximately 100 utilities, adjusted appropriately for company size. The Committee reviews these data separately and does not mathematically average or combine the various competitive analyses. The Committee sets salaries, annual incentive targets and long-term incentive grant guidelines in consideration of these data, and after direct discussion with and recommendations from Towers Perrin, its consultant.

In addition to external competitive data, base salaries are determined by factors including individual performance and potential, changes in duties and responsibilities, economic conditions in the utility service area, financial success of WE (measured in terms of such factors as achievement of authorized rate of return on equity and target earnings, customer satisfaction, competitiveness of utility service rates and outlook for such rates in the coming year, and changes in salary compensation for comparable jobs at other utilities. The Committee weights these factors substantially equally.

WE provides annual incentive compensation pursuant to WEC's Short-Term Performance Plan (STPP) which is administered by the WEC compensation committee. Target annual incentive compensation awards for each individual for 1993 ranged from 15% to 30% of base salary. Annual 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 are permitted to range from 0% to 125% of targeted amounts based on individual and team performance.

For 1993, the STPP financial performance goals for WE focused on achievement of target earnings, while the 1993 STPP operational performance goals related principally to:

- Total WEC shareholder return versus the peer companies
- Demand-side management including conservation and load management
- Energy production availability
- Customer satisfaction
- Operating and maintenance cost management
- Safety of nuclear operations

Under the STPP for 1993, the Compensation Committee awarded key employee participants amounts ranging from 8% to 27% of base salary as calculated under the formula for the STPP for each individual. This decision was based on (i) the extent to which a variety of predetermined 1993 STPP corporate performance goals were achieved (principally those enumerated above) and (ii) the extent to which each STPP participant met his or her 1993 individual goals. The STPP corporate performance goals are divided into two parts--60% operational and 40% financial (except that the weightings for the Chief Executive Officer (CEO) are 60% financial and 40% operational, as the Compensation Committee believes that the CEO has the primary responsibility for the financial success of WE).

Under the OSIP, the Compensation Committee awarded long-term incentive compensation in the form of stock options and performance dividend units to certain key employees selected by the Compensation Committee. The Compensation Committee and the Board of Directors have approved a table of stock option and performance dividend unit grant guidelines for each of four groups of OSIP participants. The grant guidelines range from 20,000 to 25,000 stock options and performance dividend units for the Chairman of the Board and Chief Executive Officer to 1,000 to 1,500 of such options and units for participating junior executives. The Compensation Committee determined, based on its subjective evaluation of each participant, that the initial grant should be made at the mid-point of the respective guideline range for each participant. The Compensation Committee expects that the present guideline range will be modified from time to time based on changing conditions in the electric utility industry. As a condition of participation in the OSIP, each participant must achieve specified WEC stock ownership targets. Several officers who are nearing retirement, including named executive officers John W. Boston, Robert H. Gorske and Jerry G. Remmel, will not participate in the OSIP.

Chief Executive Officer Compensation

Mr. Abdoo's WEC consolidated base salary for 1993 was $450,000, 79% of which was paid by WE, and has been set by the Committee at approximately the 50th percentile as compared to industry pay practices. His salary was also adjusted to account for the factors listed in the Program Components section of this report pertaining to base salaries; such factors were weighted substantially equally. Mr. Abdoo's base salary has not been increased since November 1992 because in 1993 it continued to approximate such 50th percentile.

Mr. Abdoo is a designated participant in the STPP and the OSIP. With respect to the STPP, for fiscal year 1993, the Compensation Committee awarded Mr. Abdoo the annual incentive award set forth in the "Bonus" column of the Summary Compensation Table. The award is 27% of Mr. Abdoo's consolidated base salary which is within the Committee's target level of setting the annual incentive compensation range between 15% and 30% of base salary. The award was based upon WE's actual performance versus the specific company-wide operational and financial performance goals cited above in the Program Components section. Mr. Abdoo's award was also based on the degree to which his 1993 individual goals were achieved. His principal goals related to achieving a safe and effective operation of WE'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 areas it serves. Mr. Abdoo's award was principally determined by achievement of the company-wide goals and was adjusted based on accomplishment of individual goals. The Committee weighted the company-wide performance goals as cited above in the Program Components section; individual goals were weighted substantially equally with the exception of goals relating to financial performance, such as achievement of authorized rate of return on equity and target earnings, which were weighted somewhat higher.

With respect to the OSIP, in keeping with the Compensation Committee's philosophy as stated above, Mr. Abdoo was awarded stock options and related dividend performance units in 1993 as set forth in the "Long-Term Compensation Awards" column of the Summary Compensation Table to specifically link a portion of his compensation to the achievement of WE's longer-term goals. Mr. Abdoo's award was set by the Committee at approximately the 50th percentile as compared to industry grant practices. The award of dividend performance units will be paid if total WEC shareholder return (appreciation in the value of WEC common stock plus dividends) over a four year period ending December 14, 1997 equals or exceeds the median return earned by the peer companies, except that there will be no payout if WEC's total shareholder return is negative over the course of such period.

The Committee also applied subjective judgment in evaluating the relative importance of the factors which were the basis for determining each component of Mr. Abdoo's compensation (i.e., base salary, annual and long-term incentives) to determine precisely his salary and awards.

Compensation of Other Named Executive Officers

The other four named executive officers each received merit increases during the fiscal year ranging from approximately 4% to 6% of base salary on an annualized basis. The Committee set such salaries at approximately the 50th percentile as compared to industry pay practices. Each salary was also adjusted to account for the factors listed in the Program Components section of this report pertaining to base salaries; such factors were weighted substantially equally.

The other four named executive officers are designated participants in the STPP. For fiscal year 1993, such officers received annual incentive awards as set forth in the "Bonus" column of the Summary Compensation Table. Their awards, which ranged between 11% and 22% of consolidated base salary, were based upon criteria similar to those described for Mr. Abdoo's annual incentive award. Each such award was principally determined by achievement of the company-wide goals and was adjusted based on accomplishment of individual goals. The Committee weighted the company-wide goals as cited above in the Program Components section; individual goals were weighted substantially equally with the exception of goals relating to financial performance, which were weighted somewhat higher.

Of the other four named executive officers, only Mr. Porter is a participant in the OSIP. Mr. Porter's long-term incentive compensation, awarded based upon criteria similar to those described for Mr. Abdoo's long-term incentive award, is reflected in the "Long-Term Compensation Awards" column of the Summary Compensation Table. Mr. Porter's award was set by the Committee at approximately the 50th percentile as compared to industry grant practices.

The Committee also applied subjective judgment in evaluating the relative importance of the factors which were the basis for determining each component of the named executive officers' compensation (i.e., base salary, annual and long-term incentives) to determine precisely their respective salaries and awards.

Compliance With New Tax Regulations Regarding Executive Compensation

Section 162(m) of the Internal Revenue Code, added by the Omnibus Budget Reconciliation Act of 1993, generally disallows a tax deduction to public companies for compensation over $1 million paid to the corporation's chief executive officer and the other executive officers named in the Summary Compensation Table. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. WE's executive compensation program, as presently constructed, including the OSIP being submitted for WEC shareholder approval, is not likely to generate non-deductible compensation in excess of these limits. The Committee will continue to review these evolving tax regulations as they apply to WE's executive compensation program. It is the Committee's intent to preserve the deductibility of executive compensation to the extent reasonably practicable and to the extent consistent with its other compensation objectives.

<u>Compensation Committee</u>
Morris W. Reid (chair)
John F. Bergstrom
Geneva B. Johnson
John L. Murray
Frederick P. Stratton, Jr.
Jon G. Udell

RETIREMENT PLANS

WEC's utility subsidiaries maintain separate retirement plans for management employees, including executive officers. WE's executive officers participate in the WE management employee retirement plan. The plans provide 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:

PENSION PLAN TABLE

	Years of Service					
Remuneration	15	20	25	30	35	40
$50,000	$ 11,295	$ 15,060	$ 18,825	$ 22,590	$ 24,754	$ 26,918
100,000	24,233	32,311	40,389	48,467	53,068	57,670
150,000	37,172	49,562	61,953	74,344	81,383	88,422
200,000	50,108	66,811	83,514	100,217	109,693	119,170
250,000	63,045	84,060	105,075	126,090	138,004	149,918
300,000	75,983	101,311	126,639	151,967	166,318	180,670
400,000	101,858	135,811	169,764	203,717	222,943	242,170
500,000	127,733	170,311	212,889	255,467	279,568	303,670
600,000	153,608	204,811	256,014	307,217	336,193	365,170
700,000	179,483	239,311	299,139	358,967	392,818	426,670

The compensation for the individuals listed in the Summary Compensation Table in the columns labeled "Salary", "Bonus" and "All Other Compensation" is virtually equivalent to the compensation considered for purposes of the retirement plans and the various supplemental plans. Messrs. Abdoo, Boston, Gorske, Remmel and Porter currently have 18, 11, 25, 39 and 24 credited years of service, respectively. Credited years of service under the retirement plans for certain individuals may be fewer than years of service with the companies as reported in the attached 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 plans 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 a supplemental pension benefit to participants, which will be paid out of corporate assets, equal to the difference between the actual pension benefit payable under the management employee retirement plan and what such pension benefit would be if calculated without regard to any limitation imposed by the Internal Revenue Code on pension benefits or covered compensation. The SERP also heretofore provided 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. No such payments are made until after the retirement or death of the participant. Effective January 1, 1994 this SERP benefit will be calculated so as to provide participants instead with a lifetime annuity, estimated to amount to between 8% and 10% of final average compensation depending on which pension payment option is selected, that is actuarially equivalent to the value of the benefit as described above.

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. On October 27, 1993, resolutions were adopted authorizing amendments to these agreements, the SERP and the Executive Deferred Compensation Plan to provide for establishment of a grantor trust to fund such agreements and plans and to provide for optional lump sum payments and, in the instance of a change in control, mandatory lump sum payouts without regard to whether the executive's employment has terminated. In each case, the interest rate benchmark formula for calculating the lump sum amount is the five-year U. S. Treasury Security yield as of the last business day of the month prior to date of payment.

AVAILABILITY OF FORM 10-K

The Wisconsin Electric Power Company Form 10-K report for 1993 to the Securities and Exchange Commission is available at no cost by writing to WE's Secretary, Ann Marie Brady, 231 West Michigan Street, P.O. Box 2046, Milwaukee, Wisconsin 53201.

WISCONSIN ELECTRIC POWER COMPANY

1993 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 and near southside 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 STOCKHOLDER 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
1992	1	$16,250,000
	2	$16,250,000
	3	$16,250,000
	4	$16,250,000
1993	1	$16,250,000
	2	$16,250,000
	3	$16,250,000
	4	$16,250,000

SELECTED FINANCIAL DATA

FINANCIAL

	1993	1992	1991	1990	1989
	(Thousands of Dollars)				
Earnings available for common stockholder	$ 173,548	$ 155,826	$ 175,641	$ 179,990	$ 184,354
Operating revenues:					
Electric	$1,347,844	$1,298,723	$1,292,809	$1,208,045	$1,245,701
Steam	14,090	13,093	12,986	12,126	12,292
Total operating revenues	$1,361,934	$1,311,816	$1,305,795	$1,220,171	$1,257,993
Total assets	$3,693,556	$3,285,845	$3,052,133	$2,972,903	$2,967,006
Long-term debt and preferred stock-redemption required	$1,193,994	$1,195,210	$1,110,572	$1,002,852	$1,016,197

SALES AND CUSTOMERS

	1993	1992	1991	1990	1989
Electric					
Megawatt-hours sold	25,685,436	24,747,581	25,016,247	23,656,727	24,293,356
Customers (End of year)	932,285	919,466	907,871	896,393	882,883
Steam					
Pounds sold (millions)	2,376	2,284	2,282	2,213	2,160
Customers (End of year)	459	472	468	470	482

QUARTERLY FINANCIAL DATA

	Three Months Ended			
	March		June	
	1993	1992	1993	1992
	(Thousands of Dollars)			
Total operating revenues	$339,651	$335,963	$323,416	$315,163
Operating income	$ 63,087	$ 58,638	$ 47,733	$ 45,404
Earnings available for common stockholder	$ 44,806	$ 43,244	$ 29,835	$ 30,421

	Three Months Ended			
	September		December	
	1993	1992	1993	1992
	(Thousands of Dollars)			
Total operating revenues	$355,436	$329,374	$343,431	$331,316
Operating income	$ 68,489	$ 58,778	$ 63,528	$ 57,176
Earnings available for common stockholder	$ 51,707	$ 42,204	$ 47,200	$ 39,957

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 increased to $173,548,000 in 1993 compared to $155,826,000 in 1992 primarily because of higher kilowatt-hour sales. Electric energy sales were positively impacted by, among other things, significantly warmer weather during the summer of 1993. The increase in revenues attributable to the increased energy sales and the various rate increases effective during 1993 were partially offset by increases in non-fuel related operation and maintenance expenses and higher interest charges.

Electric Sales and Revenues

Total electric sales of Wisconsin Electric, detailed below by customer class, increased 3.8 percent in 1993 compared to 1992 reflecting, among other things, the weather-related increase in sales to other utilities discussed below. Electric energy sales were positively impacted by, among other things, the significantly warmer summer weather experienced during the third quarter of 1993 which resulted in an increased use of electricity for air conditioning and other cooling purposes. The warmer than normal summer of 1993 contrasted sharply with the summer of 1992, the coolest since Wisconsin Electric began keeping records in 1948. Sales were also positively impacted by colder winter weather during the first quarter of 1993. The 3.8 percent increase in electric revenues achieved during 1993 over 1992 reflects the increase in kilowatt-hour sales and the net increases in electric rates effective in 1993.

Electric Sales - Megawatt Hours	1993	1992	% Change
Residential	6,551,061	6,230,136	5.2
Small Commercial and Industrial	6,357,510	6,154,530	3.3
Large Commercial and Industrial	9,771,383	9,702,303	0.7
Other	1,776,061	1,995,349	(11.0)
Total Retail and Municipal	24,456,015	24,082,318	1.6
Resale-Utilities	1,229,421	665,263	84.8
Total Sales	25,685,436	24,747,581	3.8

Electric energy sales to the Empire and Tilden iron-ore mines, Wisconsin Electric's two largest customers, were 9.5 percent lower in 1993 compared to 1992. This decrease is attributable to a five-week long mine employee strike during the third quarter of 1993. Wisconsin Electric's contracts with the mines require the payment of a demand charge regardless of power usage which partially offset the impact of lost sales on revenues. Excluding the mines, sales to large commercial and industrial customers increased 3.7 percent in 1993. Sales to the mines represented 7.8 percent, 9.0 percent and 8.3 percent of total electric sales during 1993, 1992 and 1991, respectively.

The 84.8 percent increase in the resale of energy to other utilities is attributable to unseasonable weather in the east and south and to the severe flooding which hit the midwestern states during the summer of 1993. This percentage change is not indicative of future sales growth in this customer class.

The 11.0 percent reduction in sales to the Other customer class is largely the result of reductions in sales to The Wisconsin Public Power, Inc. SYSTEM ("WPPI"), Wisconsin Electric's largest municipal customer consortium. WPPI has been reducing its purchases from Wisconsin Electric subsequent to acquiring generation capacity in 1990. Since that time, WPPI has expanded the use of its existing generation facilities and has installed additional capacity during 1993, further reducing its reliance on energy purchases from Wisconsin Electric. Additional reductions are expected in 1994 and beyond. These sales reductions are not expected to have a significant effect on future earnings. Sales to WPPI during 1993, 1992 and 1991 were approximately 944,000 megawatt-hours ("MWh"), 1,166,000 MWh and 1,338,000 MWh, respectively.

In addition to the revenues provided by the higher kilowatt-hour sales, the 3.8 percent increase in electric revenues during 1993 includes the impacts of rate changes which were effective during 1993, as shown in "Rates and Regulatory Matters".

Total electric kilowatt-hour sales increased at a compound annual rate of 1.3 percent between the years 1991 and 1993, while electric revenues increased at a compound annual rate of 2.1 percent during this period. Excluding the mines, total electric kilowatt-hour sales increased at a compound annual rate of 1.6 percent between the years 1991 and 1993 and revenues increased at a compound annual rate of 2.5 percent.

Electric revenues were slightly higher, 0.5 percent, in 1992 compared to 1991 despite a 1.1 percent reduction in electric kilowatt-hour sales, primarily because of net increases in Wisconsin and non-mine Michigan retail electric rates. Excluding the mines, total electric sales in 1992 decreased 1.7 percent compared to 1991.

Electric Operation and Maintenance Expenses

Total electric operating expenses, excluding income taxes and depreciation, were $18 million higher in 1993 compared to 1992. This increase largely reflects an increase in postretirement benefit costs associated with the adoption of Statement of Financial Accounting Standards No. 106 ("FAS No. 106") - "Employers' Accounting for Postretirement Benefits Other Than Pensions" (see Note D to the Financial Statements - Benefits Other Than Pensions), growth in conservation related expenditures associated with improving the efficiency of customers' electric energy usage and maintenance expenditures related to the renovation of the Port Washington Power Plant. The increases in other operation expenses and maintenance were partially offset by lower fuel and purchased power expenses due to lower average per unit generation and purchased power costs.

While depreciation during 1993 increased 1.3 percent compared to 1992, largely reflecting higher depreciable plant balances and lower decommissioning payments, the 11.2 percent increase in depreciation during 1992 compared to 1991 is primarily the result of higher depreciable plant balances and higher authorized depreciation rates effective January 1992. Additionally, Taxes Other than Income Taxes were higher during 1992 compared to 1991 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.

Since 1991, operating expenses, excluding income taxes and depreciation, have increased at a compound annual rate of 1.9 percent, reflecting increases in non-fuel related operation and maintenance expenses which were largely offset by reductions in fuel and purchased power expenses.

Other Items

Interest charges on long-term debt increased $11 million during 1993 compared to 1992 largely due to the additional debt issued to finance Wisconsin Electric's construction program and the amortization of premiums associated with the debt securities refinanced during 1992 and 1993.

Wisconsin Electric and Wisconsin Natural Revitalization

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

Wisconsin Electric and Wisconsin Natural are "reengineering" and restructuring their organizations. The new structures consolidate many business functions. This "reengineering" and restructuring of the business systems will lead to a reduction in the total Wisconsin Electric/Wisconsin Natural workforce. Effective in early 1994, employees have the option of choosing a voluntary separation package. An early retirement option also has been offered to qualified employees. As a result, it is currently estimated that Wisconsin Energy's utility subsidiaries will incur non-recurring reorganization charges aggregating between $30 to $75 million during 1994. The portion attributable to Wisconsin Electric is currently estimated to be between $27 and $65 million. See Note D to the Financial Statements - Benefits Other Than Pensions, for additional information. It is expected that these costs will be offset, before the end of 1995, by the reductions in future operating costs that these programs will achieve.

In addition to the corporate restructuring at Wisconsin Electric and Wisconsin Natural, as part of this revitalization effort, Wisconsin Energy announced its intent to merge the two companies to form a single combined utility subsidiary. The proposed merger will accomplish the goal of improved customer service and will also enable the reduction of operating costs. The merger, which is anticipated to be effective by year-end 1994, will be subject to a number of conditions, including regulatory and other approvals.

Rates and Regulatory Matters

The following table summarizes 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. The Public Service Commission of Wisconsin ("PSCW") regulates Wisconsin retail electric and steam rates, while the FERC regulates wholesale electric rates. The Michigan Public Service Commission ("MPSC") regulates retail electric rates in Michigan. The PSCW announced that it will discontinue the practice of conducting annual rate case proceedings, replacing it with a new schedule which calls for future rate cases to be conducted once every two years.

In April 1993, Wisconsin Electric filed required data with the PSCW relating to the 1994 test year indicating a need to raise retail rates. However, in support of its goal to become the lowest-cost energy provider in the region and in light of the operating cost reductions expected from the reengineering process discussed above, Wisconsin Electric has indicated that it has no current plans to seek an increase in rates for 1994 and 1995. Because of the PSCW's newly adopted biennial rate case schedule, Wisconsin Electric's next rate case would be filed in mid-1995 for rates to be effective in 1996.

Company/Service	Revenue Increase (Decrease)	Percent Change in Rates	Effective Date
Wisconsin Electric			
Fuel electric, WI	$(24,207,000)	(2.1)	05/29/92
Retail electric, WI	26,655,000	2.3	02/17/93
Steam heating	505,000	3.5	02/17/93
Wholesale electric	6,000,000	10.6	06/09/93
Retail electric, MI	1,366,000	4.3	07/09/93
Fuel electric, WI	(8,596,000)	(0.9)	11/05/93

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.

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

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 1.1 percent over the five-year period ending December 31, 1998. 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 $986 million in its business during the three years ended December 31, 1993. The investments made during this three year period include construction expenditures for new or improved facilities totaling $820 million, net capitalized conservation expenditures of $86 million, purchases of nuclear fuel at $57 million and payments to an external trust for the eventual decommissioning of Wisconsin Electric's Point Beach Nuclear Plant totaling $51 million.

In July 1993, Wisconsin Electric placed in-service two units, or approximately 150 megawatts of capacity, at 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 $35 million, $47 million and $13 million were made during 1993, 1992 and 1991, respectively, for the construction of this facility. The two remaining units, or approximately another 150 megawatts of capacity, are expected to be placed in-service during the summer of 1994. The total cost of this project is currently estimated at $108 million. Wisconsin Electric has firm capacity purchased power contracts intended to maintain adequate reserve margins prior to completion of this facility.

Additionally, during 1993 Wisconsin Electric started work related to 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, which is expected to have all four units in-service during the summer of 1995 is currently estimated to cost $105 million. Capital expenditures of $28 million were made for work performed on this project during 1993.

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 nearing completion of the renovation work at its Port Washington Power Plant, which includes upgrading the turbine generators and boilers and the installation of additional emission control equipment. With units 1 and 2 completed during 1993 and unit 3 completed in 1992, the project will conclude with the completion of the unit 4 work during the summer of 1994. The total cost of this project is currently estimated at $109 million.

Capital Resources

During the five-year forecast period ending December 31, 1998, Wisconsin Electric expects internal sources of funds from operations, after dividends to the company, to provide about 78 percent of the utility capital requirements. The remaining utility cash requirements are expected to be met through the reduction of existing cash investments and construction funds on deposit with trustees, short-term borrowings, the issuance of long-term debt and capital contributions from Wisconsin Energy.

Exclusive of debt refundings, utility debt issues of $100 million are anticipated in 1994 and 1997.

Clean Air Act

The 1990 Amendments to the Clean Air Act mandate significant nationwide reductions in nitrogen oxide (NO_x) and sulfur dioxide (SO_2) emissions to address acid rain and ozone control requirements.

Wisconsin Electric's strategy for complying with the requirements which become effective in 1995 calls for the use of low sulfur coal and the installation of low NO_x burners and continuous emission monitoring equipment at its Oak Creek Power Plant. Equipment costs, which are not expected to exceed $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 projects a surplus of SO_2 allowances and is also seeking additional SO_2 allowances which may be available as a result of its energy conservation programs. As an integral component of its least-cost SO_2 emission compliance plan, Wisconsin Electric has been active in SO_2 allowance trading. Revenues from the sale of surplus allowances are being used to offset future rate increases.

Wisconsin Electric's strategy for complying with the requirements which become effective after 1995 includes installation of continuous emission monitoring equipment on the remaining company boilers, fuel switching and installation of NO_x control equipment, if needed. With an estimated cost not to exceed $75 million based on today's costs, this compliance strategy could increase rates by 1 to 2 percent.

WISCONSIN ELECTRIC POWER COMPANY

INCOME STATEMENT

Year Ended December 31

	1993	1992	1991
		(Thousands of Dollars)	
Operating Revenues			
Electric	$1,347,844	$1,298,723	$1,292,809
Steam	14,090	13,093	12,986
Total Operating Revenues	1,361,934	1,311,816	1,305,795
Operating Expenses			
Fuel (Note B)	263,385	266,716	291,271
Purchased power	54,880	63,745	65,261
Other operation expenses	341,748	318,253	295,654
Maintenance	149,247	143,618	136,142
Depreciation (Note E)	150,831	148,967	133,997
Taxes other than income taxes	68,969	68,380	57,916
Federal income tax (Note F)	68,239	61,235	73,854
State income tax (Note F)	13,887	14,783	16,889
Deferred income taxes - net (Note F)	12,034	10,083	6,148
Investment tax credit - net (Note F)	(4,123)	(3,960)	(4,381)
Total Operating Expenses	1,119,097	1,091,820	1,072,751
Operating Income	242,837	219,996	233,044
Other Income and Deductions			
Interest income	13,351	13,624	15,688
Allowance for other funds used during construction (Note G)	8,453	6,936	7,227
Miscellaneous - net	9,638	6,547	6,649
Federal income tax (Note F)	(1,718)	(1,127)	(1,292)
State income tax (Note F)	(811)	(630)	(843)
Total Other Income and Deductions	28,913	25,350	27,429
Income Before Interest Charges	271,750	245,346	260,473
Interest Charges			
Long-term debt	96,110	84,843	77,615
Other interest	2,450	2,414	4,849
Allowance for borrowed funds used during construction (Note G)	(4,735)	(3,653)	(3,560)
Total Interest Charges	93,825	83,604	78,904
Net Income	177,925	161,742	181,569
Preferred Stock Dividend Requirement	4,377	5,916	5,928
Earnings Available for Common Stockholder	$ 173,548	$ 155,826	$ 175,641

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

	1993	1992	1991
		(Thousands of Dollars)	
Operating Activities			
Net income	$177,925	$161,742	$181,569
Reconciliation to cash			
Depreciation	150,831	148,967	133,997
Nuclear fuel expense - amortization	21,366	20,818	22,139
Conservation expense - amortization	15,254	13,009	10,175
Debt premium, discount & expense - amortization	12,813	4,483	2,857
Deferred income taxes - net	12,034	10,083	6,148
Investment tax credit - net	(4,123)	(3,960)	(4,381)
Allowance for other funds used during construction	(8,453)	(6,934)	(7,227)
Change in Accounts receivable	(16,981)	9,993	(6,308)
Inventories	15,181	(5,294)	11,670
Accounts payable	11,620	9,195	(6,790)
Other current assets	3,231	(10,073)	(2,413)
Other current liabilities	15,453	(3,664)	3,452
Other	(5,176)	8,272	(3,633)
Cash Provided by Operating Activities	400,975	356,635	341,255
Investing Activities			
Construction expenditures	(310,513)	(293,589)	(215,446)
Allowance for borrowed funds used during construction	(4,735)	(3,653)	(3,560)
Nuclear fuel	(20,016)	(17,709)	(19,728)
Nuclear decommissioning trust	(11,371)	(20,212)	(19,358)
Conservation investments - net	(35,252)	(31,087)	(19,986)
Change in construction funds held by trustee	3,006	1,930	37,813
Other	(1,926)	(746)	(15)
Cash Used in Investing Activities	(380,807)	(365,066)	(240,280)
Financing Activities			
Sale of long-term debt	361,049	567,360	124,221
Retirement of long-term debt	(328,771)	(495,940)	(27,552)
Change in short-term debt	44,179	34,820	(16,900)
Retirement of preferred stock	(65,504)	(2,035)	-
Dividends on stock - common	(65,000)	(65,000)	(167,745)
- preferred	(4,729)	(5,928)	(5,928)
Cash Provided by (Used in) Financing Activities	(58,776)	33,277	(93,904)
Change in Cash and Cash Equivalents	$(38,608)	$ 24,846	$ 7,071

Supplemental information disclosures:			
Cash Paid For			
Interest (net of amount capitalized)	$ 77,357	$ 82,193	$ 78,332
Income taxes	94,103	82,126	90,981

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

December 31

ASSETS

	1993	1992
	(Thousands of Dollars)	
Utility Plant		
Electric	$4,079,794	$3,821,490
Steam	39,113	33,177
	4,118,907	3,854,667
Accumulated provision for depreciation	(1,784,110)	(1,668,264)
	2,334,797	2,186,403
Construction work in progress	208,834	181,451
Nuclear fuel - net (Note B)	52,665	53,800
Net Utility Plant	2,596,296	2,421,654
Other Property and Investments		
Nuclear decommissioning trust fund (Note B)	214,421	203,050
Construction funds held by trustees	20,550	23,556
Conservation investments	136,995	117,964
Other	3,491	3,482
Total Other Property and Investments	375,457	348,052
Current Assets		
Cash and cash equivalents	13,421	52,029
Accounts receivable, net of allowance for doubtful accounts - $7,201 and $6,842	91,849	74,868
Accrued utility revenues	89,306	92,328
Fossil fuel (at average cost)	57,955	70,122
Materials and supplies (at average cost)	69,357	72,371
Prepayments	47,939	47,117
Other assets	5,873	6,904
Total Current Assets	375,700	415,739
Deferred Charges and Other Assets		
Accumulated deferred income taxes (Note F)	97,788	61,396
Deferred regulatory assets (Note A)	191,969	-
Other	56,346	39,004
Total Deferred Charges and Other Assets	346,103	100,400
Total Assets	$3,693,556	$3,285,845

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

December 31

CAPITALIZATION AND LIABILITIES

	1993	1992
	(Thousands of Dollars)	
Capitalization (See Capitalization Statement)		
Common stock equity	$1,399,686	$1,294,099
Preferred stock - redemption not required	30,451	30,451
Preferred stock - redemption required	5,250	67,900
Long-term debt (Note J)	1,188,744	1,127,310
Total Capitalization	2,624,131	2,519,760
Current Liabilities		
Long-term debt due currently (Note J)	19,254	19,633
Notes payable (Note K)	117,903	73,724
Accounts payable	81,630	70,010
Payroll and vacation accrued	26,058	26,018
Taxes accrued - income and other	14,422	11,706
Interest accrued	21,295	17,023
Other	13,238	4,813
Total Current Liabilities	293,800	222,927
Deferred Credits and Other Liabilities		
Accumulated deferred income taxes (Note F)	444,717	415,076
Accumulated deferred investment tax credits	91,495	96,233
Deferred regulatory liabilities (Note A)	167,403	-
Other	72,010	31,849
Total Deferred Credits and Other Liabilities	775,625	543,158
Commitments and Contingencies (Note N)		
Total Capitalization and Liabilities	$3,693,556	$3,285,845

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

CAPITALIZATION STATEMENT

December 31

		1993	1992
		(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		139,673	142,527
Retained earnings		927,120	818,679
Total Common Stock Equity		1,399,686	1,294,099
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 I)		30,451	30,451
6.75% Series - 52,500 shares and 679,000 shares		5,250	67,900
Total Preferred Stock - Redemption Required (Note I)		5,250	67,900
Long-Term Debt			
First mortgage bonds			
Series	Due		
4-1/2%	1996	30,000	-
5-7/8%	1996	-	27,726
5-7/8%	1997	130,000	130,000
5-1/8%	1998	60,000	-
6.10 %	1999-2008	25,000	25,000
6.25 %	1999-2008	1,000	1,000
6-1/2%	1999	40,000	40,000
6-5/8%	1999	51,000	51,000
6.45 %	2004	12,000	12,000
7-1/4%	2004	140,000	140,000
6.45 %	2006	4,000	4,000
6.50 %	2007-2009	10,000	10,000
9-3/4%	2015	46,350	46,350
7-1/8%	2016	100,000	-
8-1/2%	2016	-	100,000
6.85 %	2021	9,000	9,000
7-3/4%	2023	100,000	-
9.85 %	2023	-	100,000
7.05 %	2024	60,000	-
9-1/8%	2024	3,443	60,000
8-3/8%	2026	100,000	100,000
7.70 %	2027	200,000	200,000
		1,121,793	1,056,076
Note (unsecured)			
Variable rate due 2016		67,000	67,000
Obligations under capital lease (Note B)		41,870	42,604
Unamortized discount - net		(22,665)	(18,737)
Long-term debt due currently		(19,254)	(19,633)
Total Long-Term Debt (Note J)		1,188,744	1,127,310
Total Capitalization		$2,624,131	$2,519,760

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, 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
Net income				177,925	177,925
Cash dividends					
Common stock				(65,000)	(65,000)
Preferred stock				(4,729)	(4,729)
Purchase of Preferred Stock			(2,854)		(2,854)
Other				245	245
Balance - December 31, 1993	33,289,327	$332,893	$139,673	$927,120	$1,399,686

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 G). The cost of depreciable utility property, together with removal cost less salvage, is charged to accumulated provision for depreciation when property is retired.

Deferred Regulatory Assets and Liabilities

Pursuant to Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, the company capitalizes as deferred regulatory assets incurred costs which are expected to be recovered in future utility rates. The company also records as deferred regulatory liabilities the current recovery in utility rates of costs which are expected to be paid in the future.

The significant portion of the company's deferred regulatory assets and liabilities relate to the amounts recorded due to the adoption of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FAS 109). See Note F.

Statement of Cash Flows

Cash and cash equivalents include 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 at December 31 and interest expense on the nuclear fuel lease:

	1993	1992	1991
	(Thousands of Dollars)		
Nuclear Fuel			
Under capital lease	$ 91,201	$ 92,807	
Accumulated provision for amortization	(54,207)	(54,786)	
In process/stock	15,671	15,779	
Total nuclear fuel	$ 52,665	$ 53,800	
Interest expense on nuclear fuel lease	$ 1,697	$ 2,098	$ 3,174

The future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of December 31, 1993 are as follows:

	(Thousands of Dollars)
1994	$20,335
1995	12,992
1996	7,559
1997	2,881
1998	538
Total Minimum Lease Payments	44,305
Less: Interest	(2,435)
Present Value of Net Minimum Lease Payments	$41,870

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 has booked the remaining estimated liability of $36,774,000, which will be assessed over fourteen years. 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 currently estimated at $280 million in 1993 dollars and is subject to periodic review.

The Price-Anderson Act (Act) provides an aggregate limitation of $9.4 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 $79 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 $2.2 billion for loss from damage at the Point Beach Nuclear Plant with Nuclear Mutual Limited (NML), Nuclear Electric Insurance Limited (NEIL), American Nuclear Insurers and Mutual Atomic Energy Liability Underwriters. Under the NML and NEIL policies, the company has potential maximum retrospective premium liability per loss of $7.0 million and $14.2 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 $8.9 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

Effective in 1993, the PSCW adopted Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (FAS 87), for ratemaking. For 1992 and 1991, the PSCW recognized funded amounts for ratemaking and the company charged the following amounts to expense as paid, $3,962,000 and $3,739,000, respectively.

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.

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

Pension Cost calculated per FAS 87	1993	1992	1991
	(Thousands of Dollars)		
Components of Net Periodic Pension Cost, Year Ended December 31 -			
Cost of pension benefits earned by employees	$ 9,185	$ 8,290	$ 7,523
Interest cost on projected benefit obligation	31,650	28,874	27,394
Actual return on plan assets	(37,846)	(14,090)	(88,243)
Net amortization and deferral	1,176	(30,216)	51,694
Total pension cost (credit) calculated under FAS 87	$ 4,165	$ (7,142)	$ (1,632)
Actuarial Present Value of Accumulated Benefit Obligation, at December 31 -			
Vested benefits-employees' right to receive benefit no longer contingent upon continued employment	$ 343,265	$ 304,769	
Nonvested benefits-employees' right to receive benefit contingent upon continued employment	6,124	5,905	
Total obligation	$ 349,389	$ 310,674	
Funded Status of Plans: Pension Assets and Obligations at December 31 -			
Pension assets at fair market value	$ 483,391	$ 461,954	
Projected benefit obligation at present value	(437,461)	(379,587)	
Unrecognized transition asset	(25,497)	(27,937)	
Unrecognized prior service cost	143	14,980	
Unrecognized net gain	(954)	(50,112)	
Projected status of plans	$ 19,622	$ 19,298	
Rates used for calculations (%) -			
Discount Rate-interest rate used to adjust for the time value of money	7.5	8.0	8.0
Assumed rate of increase in compensation levels	5.0	5.0	5.0
Expected long-term rate of return on pension assets	9.0	9.0	9.0

D - Benefits Other Than Pensions

In January 1993, the company adopted prospectively Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (FAS 106), and elected the 20 year option for amortization of the previously unrecognized accumulated postretirement benefit obligation. The PSCW has issued an order recognizing FAS 106 for ratemaking; therefore, adoption has no material impact on net income. For years prior to 1993 the cost of these postretirement benefits was expensed when paid and was $4,151,000 in 1992, and $4,365,000 in 1991.

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

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

Postretirement Benefit Cost calculated per FAS 106	(Thousands of Dollars)
Components of Net Periodic Postretirement Benefit Cost, Year Ended December 31, 1993 -	
Cost of postretirement benefits earned by employees	$ 2,291
Interest cost on projected benefit obligation	8,404
Actual return on plan assets	(2,096)
Net amortization and deferral	4,161
Total postretirement benefit cost calculated under FAS 106	$ 12,760
Funded Status of Plans: Postretirement Obligations and Assets at December 31 -	
Accumulated Postretirement Benefit Obligation at December 31, 1993 -	
Retirees	$ (57,061)
Fully eligible active plan participants	(13,434)
Other active plan participants	(43,485)
Total obligation	(113,980)
Postretirement assets at fair market value	26,216
Accumulated postretirement benefit obligation in excess of plan assets	(87,764)
Unrecognized transition obligation	77,943
Unrecognized net loss	4,981
Accrued Postretirement Benefit Obligation	$ (4,840)

Rates used for calculations (%) -	
Discount Rate-interest rate used to adjust for the time value of money	7.5
Assumed rate of increase in compensation levels	5.0
Expected long-term rate of return on postretirement assets	9.0
Health care cost trend rate	14.0 declining to 5.0 in 2002

Changes in health care cost trend rates will affect the amounts reported. For example, a 1% increase in rates would increase the accumulated postretirement benefit obligation as of December 31, 1993 by $7,900,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $900,000.

Statement of Financial Accounting Standards No. 112, Employers' Accounting for Postemployment Benefits (FAS 112), was issued in 1992. This statement establishes standards of financial accounting and reporting for the estimated cost of benefits provided by an employer to former or inactive employees after employment but before retirement. The company adopted FAS 112 prospectively for 1994. It is anticipated that adoption will not have a material effect on net income.

The company has announced a Voluntary Severance Package (VSP) and Early Retirement Incentive Program (ERIP) effective January 1994 and March 1994, respectively to eligible employees. The availability of these plans to various bargaining units is based upon agreements made between the company and the unions. These plans are available to most management employees but not elected officers.

The VSP includes a severance payment, medical/dental insurance, outplacement services, personal financial planning and tuition support. ERIP provides for a monthly income supplement, medical benefits, and personal financial planning. It is estimated that 11-23% of total employees will elect one of these plans. The estimated cost associated with these plans is $27,000,000 - $65,000,000.

E - Depreciation

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

Depreciation as a percent of average depreciable utility plant was 3.9% in 1993, 4.1% in 1992, and 4.0% in 1991.

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

F - Income Taxes

Comprehensive interperiod income tax allocation is used for federal and state temporary differences. The federal investment tax credit is accounted for on the deferred basis and is reflected in income ratably over the life of the related property.

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.

	1993	1992	1991
	(Thousands of Dollars)		
Current tax expense	$ 84,655	$ 77,775	$ 92,878
Investment tax credit-net	(4,123)	(3,960)	(4,381)
Deferred tax expense	12,034	10,083	6,148
Total tax expense	$ 92,566	$ 83,898	$ 94,645
Income before income taxes	$270,491	$245,640	$276,214
Expected tax at federal statutory rate	$ 94,672	$ 83,518	$ 93,913
State income tax net of federal tax reduction	10,808	12,242	13,820
Investment tax credit restored	(4,738)	(4,071)	(4,394)
Other (no item over 5% of expected tax)	(8,176)	(7,791)	(8,694)
Total tax expense	$ 92,566	$ 83,898	$ 94,645

FAS 109 requires the recording of deferred assets and liabilities to recognize the expected future tax consequences of events that have been reflected in the company's financial statements or tax returns, the adjustment of deferred tax balances to reflect tax rate changes and the recognition of previously unrecorded deferred taxes. The company adopted FAS 109 prospectively in 1993. Following is a summary of deferred income taxes as of December 31, 1993, after FAS 109 adoption, and December 31, 1992, prior to adoption.

	1993	1992
	(Thousands of Dollars)	
Deferred Income Tax Assets		
Decommissioning trust	$ 44,888	$ 48,740
Construction advances	30,777	9,371
Accrued vacation	6,692	-
Other	15,431	3,285
Total Deferred Income Tax Assets	$ 97,788	$ 61,396
Deferred Income Tax Liabilities		
Plant related	$383,796	$371,411
Conservation investments	51,882	43,665
Other	9,039	-
Total Deferred Income Tax Liabilities	$444,717	$415,076

The company also has recorded deferred regulatory assets and liabilities of $155,881,000 and $167,403,000, respectively, as of December 31, 1993, which represent the future expected impact of deferred taxes on utility revenues. Adoption of FAS 109 had no material effect on net income.

G - 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 10.83% in 1993, 11.10% in 1992, and 11.16% in 1991, as approved by the PSCW.

H - 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.

I - 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 -

In 1993 the company called for redemption 626,500 shares of its 6.75% Series Preferred Stock at a purchase price of $104.05 per share plus accrued dividends to the redemption date. In 1992 the company purchased 21,000 shares on the open market. The 6.75% Series Preferred Stock has a redemption requirement of 21,000 shares at par value annually on each June 1 with a noncumulative option to redeem up to 31,500 additional shares annually.

J - Long-Term Debt

The maturities through 1998 for the aggregate amount of long-term debt outstanding (excluding obligations under capital lease, see Note B) at December 31, 1993 are shown below.

1994	$ -
1995	-
1996	30,000,000
1997	130,000,000
1998	60,000,000

There are no sinking fund requirements for the years 1994 through 1998. Substantially all utility plant is subject to the applicable mortgage.

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

K - Notes Payable

Short-term notes payable consist of:

	December 31 1993	1992
	(Thousands of Dollars)	
Banks	$ 50,000	$ -
Commercial paper	67,903	73,724
	$117,903	$ 73,724

Unused lines of credit for short-term borrowing amounted to $101,600,000 at December 31, 1993. 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.

L - Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments (FAS 107), 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.

Fair value is estimated based upon the market value of the financial instrument or upon instruments with similar characteristics. For most financial instruments held by the company, book value approximates fair value. The value of financial instruments recognized on the balance sheet, for which book value does not approximate fair value, is as follows:

	December 31 1993 Book Value	Fair Value	1992 Book Value	Fair Value
	(Thousands of dollars)			
Nuclear Decommissioning Trust Fund	$214,421	$231,991	$203,050	$213,049
First Mortgage Bonds	1,121,793	1,169,432	1,056,076	1,066,491

In 1993, the FASB issued Statement of Financial Accounting Standards No. 115 (FAS 115), Accounting for Certain Investments in Debt and Equity Securities. This standard addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. The company adopted FAS 115 prospectively in 1994. It is anticipated that adoption will not have a material effect on net income.

M - Information by Segments of Business

Year ended December 31	1993	1992	1991
	(Thousands of Dollars)		
Electric Operations			
Operating revenues	$1,347,844	$1,298,723	$1,292,809
Operating income before income taxes	329,727	299,902	323,075
Depreciation	149,646	147,859	132,912
Construction expenditures	305,467	292,031	212,408
Steam Operations			
Operating revenues	14,090	13,093	12,986
Operating income before income taxes	3,147	2,235	2,479
Depreciation	1,185	1,108	1,085
Construction expenditures	4,940	1,530	2,803
Total			
Operating revenues	1,361,934	1,311,816	1,305,795
Operating income before income taxes	332,874	302,137	325,554
Depreciation	150,831	148,967	133,997
Construction expenditures (including nonutility)	310,513	293,589	215,446
At December 31			
Net Identifiable Assets			
Electric	$3,665,536	$3,262,031	$3,028,283
Steam	25,119	20,972	20,963
Nonutility	2,901	2,842	2,887
Total Assets	$3,693,556	$3,285,845	$3,052,133

N - 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".

O - Subsequent Event

In January 1994, Wisconsin Energy Corporation, the parent company of Wisconsin Electric, announced plans to merge its wholly-owned natural gas utility subsidiary, Wisconsin Natural Gas Company, into Wisconsin Electric. The merger, subject to requisite regulatory and other approvals, is anticipated to be effective by year-end 1994.

DIRECTORS

The information in "Information Concerning Nominees for Directors" appearing on pages 2-3 of Wisconsin Electric's definitive Information Statement dated April 15, 1994, attached hereto, is incorporated herein by reference.

EXECUTIVE OFFICERS

(Figures in brackets indicate age and years of service with Wisconsin Electric Power Company as of December 31, 1993.)

RICHARD A. ABDOO [49,18]
Chairman of the Board & Chief Executive Officer

JOHN W. BOSTON [60, 11]
President & Chief Operating Officer

DAVID K. PORTER [50, 24]
Senior Vice President

CALVIN H. BAKER [50, 2]
Vice President-Finance

ROBERT H. GORSKE [61, 29]
Vice President & General Counsel

ANN MARIE BRADY [41, 5]
Secretary

ANNE K. KLISURICH [46, 21]
Controller

JERRY G. REMMEL [62, 38]
Chief Financial Officer

100 East Wisconsin Avenue
Suite 1500
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, 1993 and 1992, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, 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. As discussed in the Notes to Financial Statements, the Company changed its method of accounting for income taxes and postretirement benefits effective January 1, 1993. We concur with these changes in accounting.

Price Waterhouse

January 26, 1994