



Wisconsin Electric POWER COMPANY
231 W. MICHIGAN, P. O. BOX 2046, MILWAUKEE, WI 53201

(414) 277-2345

February 15, 1988

Dr. Thomas E. Murley
Director of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Dear Dr. Murley:

RE: DOCKET NOS. 50-266 AND 50-301

Pursuant to 10 C.F.R. § 140.21, we are enclosing the following documents as Wisconsin Electric's guarantee (through a showing of adequate cash flow) of payment of retrospective premiums for Point Beach Nuclear Plant Units 1 and 2:

1. Certified Wisconsin Electric Power Company annual financial statements for the year ended December 31, 1987.
2. Certified internal cash flow projection for year 1988.

Very truly yours,

J. G. Remmel
Vice President and Treasurer

Enclosures

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WISCONSIN ELECTRIC POWER COMPANY

INCOME STATEMENT

Year Ended December 31

	1987 ----	1986 ----	1985 ----
	(Thousands of Dollars)		
Operating Revenues			
Electric	\$1,120,682	\$1,121,267	\$1,086,192
Steam	10,508	11,895	12,062
	-----	-----	-----
Total Operating Revenues	1,131,190	1,133,162	1,098,254
Operating Expenses			
Fuel (Note D)	227,112	276,663	276,055
Purchased power	22,914	25,627	23,494
Other operation expenses (Note E)	238,604	214,561	200,775
Maintenance	133,361	116,422	116,406
Taxes other than income taxes	36,091	51,738	34,524
Depreciation (Note F)			
Straight line	114,106	110,531	116,951
Deferred income taxes (Note G)	12,521	20,056	11,287
Federal income tax (Note G)	91,989	96,315	94,623
Investment tax credit adjustments - net (Note G)	(6,793)	(4,737)	5,692
State income tax (Note G)	21,729	19,450	19,843
	-----	-----	-----
Total Operating Expenses	891,634	927,126	899,650
Operating Income	239,556	206,036	198,604
Other Income and Deductions			
Interest Income	14,704	9,485	6,565
Allowance for other funds used during construction (Note H)	2,197	3,744	4,873
Miscellaneous - net	(7,394)	(711)	(4,321)
Federal income tax (Note G)	1,125	(2,662)	(636)
State income tax (Note G)	(493)	(701)	(190)
	-----	-----	-----
Total Other Income and Deductions	10,139	9,135	6,291
Income Before Interest Charges	249,695	215,191	204,895
Interest Charges			
Long term debt	61,297	58,216	53,253
Other interest	16,555	2,883	1,984
Allowance for borrowed funds used during construction (Note H)	(1,034)	(1,682)	(1,991)
	-----	-----	-----
Total Interest Charges	78,818	59,417	53,246
Net Income	170,877	155,774	151,649
Preferred Stock Dividend Requirement	5,569	7,160	9,088
	-----	-----	-----
Earnings Available for Common Stockholder	\$ 165,308	\$ 148,614	\$ 142,561
	=====	=====	=====

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 CHANGES IN FINANCIAL POSITION
Year Ended December 31

	1987 ----	1986 ----	1985 ----
	(Thousands of Dollars)		
Financial Resources Provided			
Operations			
Net income	\$170,877	\$155,774	\$151,649
Depreciation - straight line	114,106	110,531	116,951
- deferred income taxes	12,521	20,056	11,287
- nuclear decommissioning	(12,934)	-	-
Accumulated deferred investment tax credits	(6,796)	(5,151)	4,444
Nuclear fuel expense	26,856	30,618	31,563
Allowance for funds used during construction	(3,231)	(5,426)	(6,864)
	-----	-----	-----
Total from operations	301,399	306,402	309,030
Preferred stock	69,388	-	-
Long term debt	23,955	209,754	169,682
Short term borrowings	173,693	767	19,973
Contributions and advances in aid of construction	1,901	1,556	3,110
Stockholder contribution	45,000	-	-
Deferred charges/credits and other	(7,518)	(11,786)	14,386
	-----	-----	-----
	\$607,818	\$506,693	\$516,181
	=====	=====	=====
 Financial Resources Used			
Construction expenditures	\$352,549	\$115,086	\$122,019
Nuclear decommissioning trust fund	-	100,095	-
Nuclear fuel	29,008	18,943	22,998
Dividends	92,085	127,843	82,195
Retirement of long term debt	76,703	102,659	109,985
Purchase of company capital stock	72,134	-	69,582
Spent nuclear fuel disposal	-	-	30,185
Construction funds held by trustees	-	79,617	9,069
Increase (decrease) in working capital (other than short term borrowings and long term debt due currently)	(14,661)	(37,550)	70,148
	-----	-----	-----
	\$607,818	\$506,693	\$516,181
	=====	=====	=====
 Increase (Decrease) in Components of Working Capital			
Cash and temporary cash investments	\$(10,301)	\$(45,428)	\$ 6,677
Accounts receivable and accrued utility revenues	(9,637)	3,450	(1,498)
Fossil fuel	2,487	(5,123)	(2,592)
Notes receivable from associated companies	(6,700)	(16,395)	5,457
Prepayments	3,141	1,854	33,202
Accounts payable and accrued liabilities	3,120	9,627	22,880
Other	3,229	14,465	6,022
	-----	-----	-----
	\$(14,661)	\$(37,550)	\$ 70,148
	=====	=====	=====

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

DECEMBER 31

ASSETS

	1987 ----	1986 ----
	(Thousands of Dollars)	
Utility Plant		
Electric (Note C)	\$3,176,526	\$2,855,073
Steam	26,315	26,011
	-----	-----
	3,202,841	2,881,084
Accumulated provision for depreciation	(1,438,309)	(1,326,282)
	-----	-----
	1,764,532	1,554,802
Construction work in progress	35,651	24,745
Nuclear fuel - net (Note D)	73,210	71,167
	-----	-----
Net Utility Plant	1,873,393	1,650,714
Other Property and Investments		
Nuclear decommissioning trust fund (Note F)	115,432	100,124
Construction funds held by trustees	75,843	90,297
Other	23,115	3,815
	-----	-----
Total Other Property and Investments	214,390	194,236
Current Assets		
Cash	3,688	5,989
Temporary cash investments	30,000	38,000
Accounts receivable, net of allowance for doubtful accounts - \$7,121 and \$5,573	55,005	62,373
Accrued utility revenues	83,352	85,621
Notes receivable from associated companies (Note I)	-	6,700
Fossil fuel (at average cost)	64,946	62,459
Materials and supplies (at average cost)	60,666	52,274
Prepayments	42,137	38,996
Other assets	7,614	12,777
	-----	-----
Total Current Assets	347,408	365,189
Deferred Charges and Other Assets	54,908	62,282
	-----	-----
	\$2,490,099	\$2,272,421
	=====	=====

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

BALANCE SHEET

DECEMBER 31

LIABILITIES

	1987 ----	1986 ----
	(Thousands of Dollars)	
Capitalization (See Capitalization Statement)		
Common stock equity	\$1,045,052	\$ 924,175
Preferred stock - Redemption not required	30,451	100,461
Preferred stock - Redemption required	70,000	-
Long term debt	785,483	854,259
	-----	-----
Total Capitalization	1,930,986	1,878,895
Current Liabilities		
Long term debt due currently (Note K)	45,900	22,616
Notes payable (Note L)	198,693	25,000
Accounts payable	57,689	69,237
Payroll and vacation accrued	20,594	18,921
Taxes accrued - income and other	29,059	24,826
Interest accrued	14,111	14,720
Other	6,729	3,598
	-----	-----
Total Current Liabilities	372,775	178,918
Deferred Credits and Other Liabilities		
Accumulated deferred investment tax credits	123,946	130,742
Other	26,044	48,461
	-----	-----
Total Deferred Credits and Other Liabilities	149,990	179,203
Contributions in Aid of Construction	36,348	35,405
Commitments and Contingencies (Note M)		
	-----	-----
	\$2,490,099	\$2,272,421
	=====	=====

See Notes to Financial Statements.

WISCONSIN ELECTRIC POWER COMPANY

CAPITALIZATION STATEMENT

DECEMBER 31

	1987 ----	1986 ----
	(Thousands of Dollars)	
COMMON STOCK EQUITY (See Common Stock Equity Statement)		
Common stock (\$10 par value; authorized 65,000,000 shares; outstanding - 33,289,327 shares)	\$ 332,893	\$ 332,893
Other paid in capital	142,462	99,532
Retained earnings	569,697	491,750
	-----	-----
Total Common Stock Equity (Note B)	1,045,052	924,175
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
8.90% series - 333,325 shares in 1986	-	33,332
7.75% series - 225,810 shares in 1986	-	22,581
8.80% series - 140,967 shares in 1986	-	14,097
	-----	-----
Total Preferred Stock - Redemption Not Required (Note J)	30,451	100,461
6.75% series - 700,000 shares in 1987	70,000	-
	-----	-----
Total Preferred Stock - Redemption Required (Note J)	70,000	-
LONG TERM DEBT		
First mortgage bonds		
Series Due		
----- ---		
4-1/8% 1988	20,929	20,929
5 1990	26,605	26,605
4-3/4% 1991	3,570	3,570
4-1/2% 1993	4,985	4,985
5-7/8% 1996	36,807	36,942
6-1/2% 1997	11,341	11,386
6-7/8% 1997	37,580	37,629
6-5/8% 1998	9,772	9,772
6-7/8% 1998	33,360	33,394
6.10 % 1999-2008	25,000	25,000
6.25 % 1999-2008	1,000	1,000
7-1/4% 1999	38,929	38,929
8-3/8% 1999	39,230	39,230
8-1/2% 1999	11,678	11,678
6.45 % 2004	12,000	12,000
8-3/4% 2006	59,897	59,897
6.45 % 2006	4,000	4,000
6.50 % 2007-2009	10,000	10,000
8-7/8% 2008	79,934	79,934
9-3/4% 2015	46,350	46,350
11-1/2% 2015	68,700	100,000
8-1/2% 2016	100,000	100,000
	-----	-----
	681,667	713,230
Debentures (unsecured)		
7% Series due 1993	27,076	27,994
Note (unsecured)		
Variable rate due 2016	75,000	85,000
Obligations under capital lease (Note D)	51,439	54,661
Unamortized discount - net	(3,799)	(4,010)
Long term debt due currently	(45,900)	(22,616)
	-----	-----
Total Long Term Debt (Note K)	785,483	854,259
	-----	-----
Total Capitalization	\$1,930,986	\$1,878,895
	=====	=====

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, 1984	33,826,027	\$338,260	\$93,555	\$404,567	\$836,382
Net income				151,649	151,649
Cash dividends					
Common stock				(72,673)	(72,673)
Preferred stock				(9,522)	(9,522)
Purchase of common stock	(535,700)	(5,367)	(1,481)	(10,202)	(17,050)
Purchase of preferred stock (Note J)			7,458		7,458
Balance - December 31, 1985	33,289,327	332,893	99,532	463,819	896,244
Net income				155,774	155,774
Cash dividends					
Common stock				(113,596)	(113,596)
Preferred stock				(7,160)	(7,160)
Non cash dividend				(7,087)	(7,087)
Balance - December 31, 1986	33,289,327	332,893	99,532	491,750	924,175
Net income				170,877	170,877
Stockholder contribution (Note I)			45,000		45,000
Cash dividends					
Common stock				(85,720)	(85,720)
Preferred stock				(5,672)	(5,672)
Purchase of Preferred Stock (Note J)			(2,070)	(54)	(2,124)
Sale of Preferred Stock (Note J)				(791)	(791)
Non cash dividend				(693)	(693)
Balance - December 31, 1987	33,289,327	\$332,893	\$142,462	\$569,697	\$1,045,052

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, modified for requirements of the Public Service Commission of Wisconsin (PSCW).

Revenues

Meters are read and accounts are billed monthly. 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. Nuclear fuel expense includes the estimated cost for disposal of spent fuel based on a contract with the U.S. Department of Energy.

Property

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

Income Taxes

Deferred income tax accounting is practiced in respect to significant timing differences. Pursuant to a PSCW order effective January 1985, deferred state income tax resulting from the use of accelerated depreciation is not recorded (see Note G).

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

Debt Premium, Discount and Expense

Long term debt premium or discount and expense of issuance are amortized by the straight line method over the lives of the debt issues and included as

interest expense. Unamortized amounts pertaining to debt reacquired for sinking fund purposes are written off currently.

B - Corporate Restructuring

Pursuant to a corporate restructuring plan effective at midnight December 31, 1986, Wisconsin Energy Corporation (WEC) became the sole holder of Wisconsin Electric (WE) common stock and common shareholders of WE became common shareholders of WEC on a share for share basis. As part of the restructuring WE transferred the common stock of Wisconsin Natural Gas Company, Badger Service Company, Wisconsin Michigan Investment Corporation, Wispark Corporation, Witech Corporation and Wisvest Corporation to WEC.

The accompanying financial statements give effect to the restructuring for all periods presented. As a result, equity in subsidiary earnings and investment in subsidiary companies have been eliminated. The Company's capital contributions or cash in the amount of \$44,257,000 and property in the amount of \$7,087,000 to subsidiaries during 1984-1986 have been classified as dividends.

C - Power Plant Purchase

On December 31, 1987 the company purchased the 592 megawatt, 9 unit, coal-fired Presque Isle Power Plant (Marquette, Michigan) and associated inventories and transmission facilities from Cleveland - Cliffs Iron Company and Upper Peninsula Power company for \$283,684,000. The acquisition was accounted for as a purchase of property. Presque Isle Power Plant's operations will be included in the income statement beginning January 1, 1988. Shown below is supplemental information illustrating the results of operations as though the company acquired Presque Isle at the beginning of 1987.

	Pro forma ----- 1987 (Thousands of Dollars)
Total Operating Revenues	\$1,238,264
Net Income	\$176,727

D - Rental Expense

Total rental expense was \$2,898,000 in 1987, \$2,825,000 in 1986 and \$3,069,000 in 1985. This does not include amounts relating to the company's 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. The nuclear fuel lease was capitalized in January 1987 and affected prior period statements are restated. The capitalization did not impact earnings.

WISCONSIN ELECTRIC POWER COMPANY

The amount of nuclear fuel under capital lease and the accumulated provision for amortization at December 31, 1987 was \$69,869,000 and \$24,297,000, respectively.

The future minimum lease payments under capital leases and the present value of the net minimum lease payments as of December 31, 1987 are as follows:

	(Thousands of Dollars)
1988	\$ 27,537
1989	17,747
1990	8,959
1991	2,268
1992	-

Total Minimum Lease Payments	\$ 56,511
Less: Interest	(5,072)

Present Value of Net Minimum Lease Payments	\$ 51,439
	=====

E - Pension Plans

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

The following information has been provided in accordance with Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (FAS 87), which became effective on January 1, 1987. 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 plans are funded to meet the requirements of the Employee Retirement Income Security Act of 1974, which amounts are charged to expense currently. Pension expense was \$3,807,000 in 1987, \$3,400,000 in 1986 and \$6,567,000 in 1985. The majority of the plans' assets are equity securities; other assets include corporate and government bonds, guaranteed investment contracts and real estate.

WISCONSIN ELECTRIC POWER COMPANY

1987
(Thousands of Dollars)

Components of Net Periodic Pension Cost, Year
Ended December 31 -

Cost of pension benefits earned by employees	\$ 9,018
Interest cost on projected benefits to ultimately be paid to employees	21,906
Less: Actual return on plan assets	12,675
Less: Net amortization and deferral	17,602

Total pension cost calculated under FAS 87	\$ 647
	=====

Actuarial Present Value of Accumulated Benefit Obligation,
at December 31 -

Vested benefits - employees' right to receive benefit no longer contingent upon continued employment	\$200,118
Non vested benefits - employees' right to receive benefit contingent upon continued employment	4,452

Total obligation	\$204,570
	=====

Funded Status of Plans: Pension Assets and Obligations,
at December 31 -

Pension assets at fair market value	\$319,745
Less: Projected benefit obligation at present value	252,777
Less: Unrecognized transition asset and unrecognized gain being amortized over remaining service period of employees	63,540

Net Pension Asset	\$ 3,428
	=====

Rates used for calculations (%) -

Discount rate - interest rate used to adjust for the time value of money	9.0
Assumed rate of increase in compensation levels	5.5
Expected long term rate of return on pension assets	9.0

In December, 1987 the company advised eligible employees of an early retirement program which will be offered to employees (excluding officers) age 57 and older with 30 years of credited service and age 55 and older with 35 years of credited service. The program will eliminate the early retirement discount and will be applied to those employees not yet eligible for Social Security. No employees were included in the 1987 financial statements.

F - Depreciation

Depreciation expense is accrued at straight line rates, certified by the PSCW, which include estimates of salvage and plant removal costs. Nuclear plant decommissioning is accrued as depreciation expense. In December 1985 the PSCW issued an order changing the accounting and funding methods for nuclear power plant decommissioning. In 1985 the company changed from a straight line negative salvage method with internal funding to an external sinking fund method. In December 1986, the company placed \$100,095,000 which is equal to the December 31, 1986 accumulated provision for the eventual decommissioning, in an external trust fund.

Additional depreciation is accrued, in accordance with the PSCW requirements, which is equal to the federal tax effects of timing differences related to property and nuclear fuel including principally the use of accelerated depreciation methods (see Note G).

Straight line depreciation as a percent of average depreciable utility plant was 4.1% in 1987, 4.2% in 1986 and 4.8% in 1985.

G - Income Tax Expense

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

	1987 ----	1986 ----	1985 ----
	(Thousands of Dollars)		
Current tax expense	\$113,086	\$119,128	\$115,292
Investment tax credit adjustments - net	(6,793)	(4,237)	5,692
Deferred taxes charged to depreciation expense	12,521	20,056	11,287
Total tax expense	\$118,814 =====	\$134,947 =====	\$132,271 =====
Income before income taxes	\$289,691 =====	\$290,721 =====	\$283,920 =====
Expected tax at federal statutory rate	\$115,876	\$133,731	\$130,603
State income tax net of federal tax reduction	12,209	9,832	9,763
Investment tax credit restored	(7,965)	(8,233)	(7,455)
Other (no item over 5% of expected tax)	(1,306)	(383)	(640)
Total tax expense	\$118,814 =====	\$134,947 =====	\$132,271 =====

The aggregate amount of deferred income taxes included in the accumulated provision for depreciation at December 31 was \$271,494,000 in 1987 and \$258,369,000 in 1986. For regulated companies, the change in tax rates applied to accumulated deferred income taxes may not be immediately recognized in operating results. Changes to depreciation-related deferred income taxes will continue to be recorded in accordance with the Tax Reform Act of 1986. At December 31, 1987, the cumulative amount of timing differences for which deferred income taxes have not been provided was approximately \$71 million for federal tax purposes and \$216 million for state tax purposes. Any tax effect of this amount is expected to be recovered through future utility rates.

H - Allowance for Funds Used During Construction (AFDC)

AFDC is included in utility plant accounts and represents the cost of borrowed funds used during plant construction and a rate of 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.

AFDC was capitalized at a rate of 11.30% in 1987, 11.79% in 1986 and 11.15% in 1985, as approved by the PSCW.

I - 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 for electric generation at rates approved by the PSC. To take advantage of the company's access to short term funds at a lower cost than that available to Wisconsin Natural, the company made loans to Wisconsin Natural at an interest rate approximating the cost to the company. In December 1987, the company received a \$45,000,000 capital contribution from WEC.

J - Preferred Stock

Redemption Not Required

In 1987 the company redeemed a total of 140,967 shares of 8.80% Series, 333,325 shares of 8.90% Series and 225,010 shares of 7.75% Series, \$100 par value Serial Preferred Stock at an aggregate cost of \$72,134,000. In 1985 the company purchased and retired a total of 459,033 shares of 8.80% Series, 66,675 shares of 8.90% Series and 74,190 shares of 7.75% Series, \$100 par value Serial Preferred Stock at an aggregate cost of \$52,532,000. The 3.60% Serial 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 1987 the company issued 700,000 shares of 6.75% Series, \$100 par value Serial Preferred Stock. The redemption at par value of 21,000 shares is required annually on each June 1 beginning in 1993 (with a noncumulative option to redeem up to 31,500 additional shares annually) with redemption of the remaining shares required on June 1, 2020. In addition to the mandatory redemption, the company may at its option redeem the stock at \$106.75 prior to June 1, 1992 and at declining amounts thereafter to \$100 on or after June 1, 2002.

Serial Preferred Stocks authorized but unissued are cumulative, \$25 par value, 5,000,000 shares and \$100 par value, 1,400,000 shares. In the event of default in the payment of preferred dividends or in the mandatory redemption requirements, no dividends or other distribution may be paid on the company's common stock.

K - Long Term Debt

The maturities and sinking fund requirements through 1992 for the aggregate amount of long term debt outstanding (excluding obligations under capital lease) at December 31, 1987 are shown below. Of the annual sinking fund requirements, \$3,690,000 may be satisfied by certifying additional mortgaged property.

1988	\$25,819,000
1989	4,890,000
1990	31,495,000
1991	8,160,000
1992	4,550,000

Future sinking fund requirements have been anticipated by advance purchases of bonds to the extent of \$29,306,000.

Substantially all utility plant and nonutility property is subject to the lien of the applicable mortgage.

In January 1988, the company sold \$100 million of 9 5/8 percent First Mortgage Bonds.

L - Notes Payable

Short-term notes payable consisted of \$198,693,000 of commercial paper at December 31, 1987 and a \$25,000,000 note with an investment company at December 31, 1986. Unused lines of credit for short term borrowing amounted to \$211,600,000 at December 31, 1987. In support of various informal lines of credit from banks, the company has agreed to maintain unrestricted compensating balances. With the exception of funds required for daily operations, the cash balance shown on the balance sheet at December 31, 1987 represents compensating balances.

M - Commitments and Contingencies

Plans for the construction and financing of future additions to utility plant can be found in the SEC 10-K filing under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

WISCONSIN ELECTRIC POWER COMPANY

N - Information by Segments of Business

	1987	1986	1985
	-----	-----	-----
Year ended December 31	(Thousands of Dollars)		

Electric Operations			
Operating revenues	\$1,120,682	\$1,121,267	\$1,086,192
Operating income before income taxes	357,913	335,754	328,003
Depreciation - straight line	113,257	109,819	116,289
Construction expenditures	350,364	109,919	118,171
Steam Operations			
Operating revenues	10,508	11,895	12,062
Operating income before income taxes	1,089	1,866	2,046
Depreciation - straight line	849	712	662
Construction expenditures	2,085	3,867	1,604
Total			
Operating revenues	1,131,190	1,133,162	1,098,254
Operating income before income taxes	359,002	337,620	330,049
Depreciation - straight line	114,106	110,531	116,951
Construction expenditures (including nonutility)	352,549	115,086	122,019
At December 31			

Net Identifiable Assets			
Electric	\$2,470,649	\$2,253,169	\$2,094,799
Steam	17,032	16,663	14,040
Nonutility	2,418	2,589	8,872
Total Assets	\$2,490,099	\$2,272,421	\$2,117,711
	=====	=====	=====

Price Waterhouse



REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheet and statement of capitalization and the related statements of income, common stock equity and changes in financial position present fairly the financial position of Wisconsin Electric Power Company at December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Milwaukee, Wisconsin
January 27, 1988

WISCONSIN ELECTRIC POWER COMPANY

1988 Internal Cash Flow Projection
for Point Beach Nuclear Power Station
(Dollars in Millions)

	<u>Actual</u> <u>1987</u>	<u>Projected</u> <u>1988</u>
Net Income After Taxes and Preferred Dividends	\$165	\$157
Less: Common Dividends Paid	(86)	(94)
Retained Earnings	79	63
Adjustments:		
Depreciation and Amortization	114	129
Deferred Income Taxes and Investment Tax Credits	5	5
Allowance for Funds Used During Construction	(3)	(8)
Total Adjustments	<u>116</u>	<u>126</u>
Internal Cash Flow	<u>\$195</u>	<u>\$189</u>
Average Quarter Cash Flow*	<u>\$ 49</u>	<u>\$ 47</u>
Percentage Ownership in all Operating Nuclear Units	Unit No. 1 Unit No. 2	100% 100%
Maximum Total Contingent Liability	\$20 million	

*If it becomes necessary to curtail capital expenditures to ensure meeting a retrospective premium call, we would anticipate reducing construction activities to the extent necessary.

CERTIFICATION:

The Cash Flow Projections detailed above are based on the most current information available to us and represent our best estimates as of this date.

Dated 2/15/88

By J. J. Kimmel
Vice President and Treasurer