WISCONSIN ENERGY CORP
Form 10-Q
October 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended

September 30, 2009

Commission File Number	Registrant; State of Incorporation Address; and Telephone Number	IRS Employer Identification No.
001-09057	WISCONSIN ENERGY CORPORATION (A Wisconsin Corporation) 231 West Michigan Street P.O. Box 1331 Milwaukee, WI 53201 (414) 221-2345	39-1391525

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (&sect 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes[X] No[ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (September 30, 2009):

Common Stock, $.01 Par Value, 116,911,016 shares outstanding.

WISCONSIN ENERGY CORPORATION

FORM 10-Q REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2009

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Part II -- Other Information

DEFINITION OF ABBREVIATIONS AND INDUSTRY TERMS

The abbreviations and terms set forth below are used throughout this report and have the meanings assigned to them below:

Wisconsin Energy Subsidiaries and Affiliates

Primary Subsidiaries

Edison Sault	Edison Sault Electric Company
We Power	W.E. Power, LLC
Wisconsin Electric	Wisconsin Electric Power Company
Wisconsin Gas	Wisconsin Gas LLC

Significant Assets

OC 1	Oak Creek expansion Unit 1
OC 2	Oak Creek expansion Unit 2

PWGS	Port Washington Generating Station
PWGS 1	Port Washington Generating Station Unit 1
PWGS 2	Port Washington Generating Station Unit 2

Other Affiliates

ATC	American Transmission Company LLC
ERS	Elm Road Services, LLC
Wispark	Wispark LLC

Federal and State Regulatory Agencies

EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
MPSC	Michigan Public Service Commission
PSCW	Public Service Commission of Wisconsin
SEC	Securities and Exchange Commission

Environmental Terms

ANPR	Advanced Notice of Proposed Rulemaking
BART	Best Available Retrofit Technology
BTA	Best Technology Available
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CAVR	Clean Air Visibility Rule
CWA	Clean Water Act
NAAQS	National Ambient Air Quality Standards
NO_x	Nitrogen Oxide
$PM_{2.5}$	Fine Particulate Matter
RACT	Reasonably Available Control Technology
SIP	State Implementation Plan
SO_2	Sulfur Dioxide
WPDES	Wisconsin Pollution Discharge Elimination System

Other Terms and Abbreviations

AQCS	Air Quality Control System
ARRs	Auction Revenue Rights
Bechtel	Bechtel Power Corporation
Compensation Committee	Compensation Committee of the Board of Directors
CPCN	Certificate of Public Convenience and Necessity

DEFINITION OF ABBREVIATIONS AND INDUSTRY TERMS

The abbreviations and terms set forth below are used throughout this report and have the meanings assigned to them below:

Energy Policy Act	Energy Policy Act of 2005
ERISA	Employee Retirement Income Security Act of 1974
Fitch	Fitch Ratings
FNTP	Full Notice To Proceed
FTRs	Financial Transmission Rights
Junior Notes	Wisconsin Energy's 2007 Series A Junior Subordinated Notes due 2067 issued in May 2007
LMP	Locational Marginal Price
MISO	Midwest Independent Transmission System Operator, Inc.
MISO Energy Markets	MISO Energy and Operating Reserves Markets
Moody's	Moody's Investor Service
OTC	Over-the-Counter
Plan	The Wisconsin Energy Corporation Retirement Account Plan
Point Beach	Point Beach Nuclear Power Plant
PTF	Power the Future
PSEG	Public Service Enterprise Group
RSG	Revenue Sufficiency Guarantee
RTO	Regional Transmission Organization
S&P	Standard & Poor's Ratings Services

<u>Measurements</u>

Dth	Dekatherm(s) (One Dth equals one million British Thermal Units)
MW	Megawatt(s) (One MW equals one million Watts)
MWh	Megawatt-hour(s)
Watt	A measure of power production or usage

<u>Accounting Terms</u>

AFUDC	Allowance for Funds Used During Construction
CWIP	Construction Work in Progress
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
OPEB	Other Post-Retirement Employee Benefits

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this report are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based upon management's current expectations and are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated in the statements. Readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements include, among other things, statements concerning management's expectations and projections regarding earnings, completion of construction projects, regulatory matters, fuel costs, sources of electric energy supply, coal and gas deliveries, remediation costs, environmental and other capital expenditures, liquidity and capital resources and other matters. In some cases, forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology such as "anticipates," "believes," "estimates," "expects," "forecasts," "guidance," "intends," "may," "objectives," "plans," "possible," "potential," "projects" or similar terms or variations of these terms.

Actual results may differ materially from those set forth in forward-looking statements. In addition to the assumptions and other factors referred to specifically in connection with these statements, factors that could cause our actual results to differ materially from those contemplated in any forward-looking statements or otherwise affect our future results of operations and financial condition include, among others, the following:

- Factors affecting utility operations such as unusual weather conditions; catastrophic weather-related or terrorism-related damage; availability of electric generating facilities; unscheduled generation outages, or unplanned maintenance or repairs; unanticipated events causing scheduled generation outages to last longer than expected; unanticipated changes in fossil fuel, purchased power, coal supply, gas supply or water supply costs or availability due to higher demand, shortages, transportation problems or other developments; nonperformance by electric energy or natural gas suppliers under existing power purchase or gas supply contracts; environmental incidents; electric transmission or gas pipeline system constraints; unanticipated organizational structure or key personnel changes; collective bargaining agreements with union employees or work stoppages; or inflation rates.

- Factors affecting the economic climate in our service territories such as customer growth; customer business conditions, including demand for their products and services; and changes in market demand and demographic patterns.

- Timing, resolution and impact of pending and future rate cases and negotiations, including recovery for new investments as part of our PTF strategy, environmental compliance, transmission service, fuel costs and costs associated with the implementation of the MISO Energy Markets.

- Regulatory factors such as changes in rate-setting policies or procedures; changes in regulatory accounting policies and practices; industry restructuring initiatives; transmission or distribution system operation and/or administration initiatives; required changes in facilities or operations to reduce the risks or impacts of potential terrorist activities; required approvals for new construction; and the siting approval process for new generation and transmission facilities and new pipeline construction.

- Increased competition in our electric and gas markets and continued industry consolidation.

- Factors which impede or delay execution of our PTF strategy, including the adverse interpretation or enforcement of permit conditions by the permitting agencies; construction delays; and obtaining the investment capital from outside sources necessary to implement the strategy.

- Factors which may affect successful implementation of the settlement agreement with the two parties who were challenging the WPDES permit for the Oak Creek expansion, including PSCW approval of projects and costs contained in the agreement.

- The impact of recent and future federal, state and local legislative and regulatory changes, including electric and gas industry restructuring initiatives; changes to the Federal Power Act and related regulations under the Energy Policy Act and enforcement thereof by FERC and other regulatory agencies; changes in allocation of energy assistance, including state public benefits funds; changes in environmental, tax and other laws and regulations to which we are subject; and changes in the application of existing laws and regulations.

- Restrictions imposed by various financing arrangements and regulatory requirements on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances.

- The cost and other effects of legal and administrative proceedings, settlements, investigations, claims and changes in those matters.

- Impacts of the significant contraction in the global credit markets affecting the availability and cost of capital.

- Other factors affecting our ability to access the capital markets, including general capital market conditions; our capitalization structure; market perceptions of the utility industry, us or any of our subsidiaries; and our credit ratings.

- The investment performance of our pension and other post-retirement benefit plans.

- The effect of accounting pronouncements issued periodically by standard setting bodies.

- Unanticipated technological developments that result in competitive disadvantages and create the potential for impairment of existing assets.

- Changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading markets and fuel suppliers and transporters.

- The cyclical nature of property values that could affect our real estate investments.

- Changes to the legislative or regulatory restrictions or caps on non-utility acquisitions, investments or projects, including the State of Wisconsin's public utility holding company law.

- Other business or investment considerations that may be disclosed from time to time in our SEC filings or in other publicly disseminated written documents, including the risk factors set forth in our Annual Report on

Form 10-K for the year ended December 31, 2008.

Wisconsin Energy Corporation expressly disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

INTRODUCTION

Wisconsin Energy Corporation is a diversified holding company which conducts its operations primarily in two operating segments: a utility energy segment and a non-utility energy segment. Unless qualified by their context when used in this document, the terms Wisconsin Energy, the Company, our, us or we refer to the holding company and all of its subsidiaries. Our primary subsidiaries are Wisconsin Electric, Wisconsin Gas and We Power.

Utility Energy Segment:

Our utility energy segment consists of: Wisconsin Electric, which serves electric customers in Wisconsin and the Upper Peninsula of Michigan, gas customers in Wisconsin and steam customers in metropolitan Milwaukee, Wisconsin; Wisconsin Gas, which serves gas customers in Wisconsin; and Edison Sault, which serves electric customers in the Upper Peninsula of Michigan. Wisconsin Electric and Wisconsin Gas operate under the trade name of "We Energies".

Non-Utility Energy Segment:

Our non-utility energy segment consists primarily of We Power. We Power was formed in 2001 to design, construct, own and lease to Wisconsin Electric the new generating capacity included in our PTF strategy. See Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2008 Annual Report on Form 10-K for more information on PTF.

We have prepared the unaudited interim financial statements presented in this Form 10-Q pursuant to the rules and regulations of the SEC. We have condensed or omitted some information and note disclosures normally included in financial statements prepared in accordance with GAAP pursuant to these rules and regulations. This Form 10-Q, including the financial statements contained herein, should be read in conjunction with our 2008 Annual Report on Form 10-K, including the financial statements and notes therein.

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WISCONSIN ENERGY CORPORATION

CONSOLIDATED CONDENSED INCOME STATEMENTS

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
	(Millions of Dollars, Except Per Share Amounts)			
Operating Revenues	$821.9	$851.5	$3,060.6	$3,228.0
Operating Expenses				
Fuel and purchased power	292.6	344.1	812.6	980.4
Cost of gas sold	63.2	95.7	667.9	841.4
Other operation and maintenance	303.8	320.0	946.5	1,022.7
Depreciation, decommissioning and amortization	87.3	84.0	259.4	242.1
Property and revenue taxes	28.0	26.7	84.3	81.0
Total Operating Expenses	774.9	870.5	2,770.7	3,167.6
Amortization of Gain	57.9	157.4	177.2	403.4
Operating Income	104.9	138.4	467.1	463.8
Equity in Earnings of Transmission Affiliate	14.9	14.4	43.6	38.0
Other Income, net	10.4	7.1	24.0	25.6
Interest Expense, net	38.4	38.8	119.0	113.4
Income from Continuing Operations Before Income Taxes	91.8	121.1	415.7	414.0
Income Taxes	33.1	44.5	152.1	156.2
Income from Continuing Operations	58.7	76.6	263.6	257.8
Income (Loss) from Discontinued Operations, Net of Tax	(0.2)	0.9	0.1	0.9
Net Income	$58.5	$77.5	$263.7	$258.7
Earnings Per Share (Basic)				
Continuing operations	$0.50	$0.65	$2.26	$2.20
Discontinued operations	-	0.01	-	0.01
Total Earnings Per Share (Basic)	$0.50	$0.66	$2.26	$2.21
Earnings Per Share (Diluted)				

Continuing operations	$0.50	$0.64	$2.24	$2.18
Discontinued operations	-	0.01	-	0.01
Total Earnings Per Share (Diluted)	$0.50	$0.65	$2.24	$2.19
Weighted Average Common Shares Outstanding (Millions)				
Basic	116.9	116.9	116.9	116.9
Diluted	118.0	118.2	117.9	118.2
Dividends Per Share of Common Stock	$0.3375	$0.27	$1.0125	$0.81

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

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WISCONSIN ENERGY CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

	(Unaudited) September 30, 2009	December 31, 2008
	(Millions of Dollars)	
Assets		
Property, Plant and Equipment		
In service	$ 10,235.2	$ 9,909.4
Accumulated depreciation	(3,465.6)	(3,312.9)
	6,769.6	6,596.5
Construction work in progress	2,062.1	1,829.9
Leased facilities, net	72.0	76.2
Net Property, Plant and Equipment	8,903.7	8,502.6
Investments		
Restricted cash	56.5	172.4
Equity investment in transmission affiliate	303.3	276.3
Other	37.7	41.6
Total Investments	397.5	490.3

Current Assets		
Cash and cash equivalents	10.7	32.5
Restricted cash	180.5	214.1
Accounts receivable	309.5	369.5
Accrued revenues	147.8	341.2
Materials, supplies and inventories	388.9	344.7
Regulatory assets	69.6	82.5
Prepayments and other	221.6	323.0
Total Current Assets	1,328.6	1,707.5
Deferred Charges and Other Assets		
Regulatory assets	1,186.3	1,261.1
Goodwill	441.9	441.9
Other	162.7	214.4
Total Deferred Charges and Other Assets	1,790.9	1,917.4
Total Assets	$ 12,420.7	$ 12,617.8
Capitalization and Liabilities		
Capitalization		
Common equity	$ 3,486.9	$ 3,336.9
Preferred stock of subsidiary	30.4	30.4
Long-term debt	3,631.2	4,074.7
Total Capitalization	7,148.5	7,442.0
Current Liabilities		
Long-term debt due currently	312.5	61.8
Short-term debt	938.0	602.3
Accounts payable	263.8	441.0
Regulatory liabilities	234.4	310.8
Other	261.2	319.2
Total Current Liabilities	2,009.9	1,735.1
Deferred Credits and Other Liabilities		
Regulatory liabilities	949.2	1,084.4
Deferred income taxes - long-term	950.0	814.0
Deferred revenue, net	687.9	545.4
Pension and other benefit obligations	316.9	635.0
Other	358.3	361.9
Total Deferred Credits and Other Liabilities	3,262.3	3,440.7
Total Capitalization and Liabilities	$ 12,420.7	$ 12,617.8

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

WISCONSIN ENERGY CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

		Nine Months Ended September 30	
		2009	2008
		(Millions of Dollars)	
Operating Activities			
Net income		$ 263.7	$ 258.7
Reconciliation to cash			
Depreciation, decommissioning and amortization		264.3	249.9
Amortization of gain		(177.2)	(403.4)
Equity in earnings of transmission affiliate		(43.6)	(38.0)
Distributions from transmission affiliate		34.5	27.8
Deferred income taxes and investment tax credits, net		121.9	155.4
Deferred revenue		148.4	151.1
Contributions to benefit plans		(289.3)	(48.4)
Change in -	Accounts receivable and accrued revenues	238.1	208.3
	Inventories	(44.2)	1.8
	Other current assets	61.8	4.1
	Accounts payable	(188.8)	(70.7)
	Accrued income taxes, net	22.2	(7.0)
	Deferred costs, net	34.6	69.9
	Other current liabilities	11.7	22.9
Other, net		(21.6)	60.6
Cash Provided by Operating Activities		436.5	643.0
Investing Activities			

Capital expenditures	(555.8)	(888.9)
Investment in transmission affiliate	(18.1)	(17.4)
Proceeds from asset sales, net	15.7	13.8
Change in restricted cash	149.5	280.7
Other, net	(69.9)	(69.9)
Cash Used in Investing Activities	(478.6)	(681.7)
Financing Activities		
Exercise of stock options	12.5	10.0
Purchase of common stock	(21.0)	(19.9)
Dividends paid on common stock	(118.4)	(94.7)
Issuance of long-term debt	11.5	303.0
Retirement and repurchase of long-term debt	(202.0)	(176.2)
Change in short-term debt	335.7	13.5
Other, net	2.0	(1.1)
Cash Provided by Financing Activities	20.3	34.6
Change in Cash and Cash Equivalents	(21.8)	(4.1)
Cash and Cash Equivalents at Beginning of Period	32.5	27.4
Cash and Cash Equivalents at End of Period	$ 10.7	$ 23.3

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of these financial statements.

WISCONSIN ENERGY CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1 -- GENERAL INFORMATION

Our accompanying unaudited consolidated condensed financial statements should be read in conjunction with Item 8 - Financial Statements and Supplementary Data in our 2008 Annual Report on Form 10-K. In the opinion of management, we have included all adjustments, normal and recurring in nature, necessary for a fair presentation of the results of operations, cash flows and financial position in the accompanying income statements, statements of cash flows and balance sheets. The results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of the results which may be expected for the entire fiscal year 2009 because of seasonal and other factors.

Reclassifications:

We have reclassified certain prior year financial statement amounts to conform to their current year presentation. These reclassifications had no effect on total assets, net income or earnings per share.

The reclassifications relate to the reporting of discontinued operations. The footnotes contained herein reflect continuing operations for all periods presented. For further information, see Note 6.

Subsequent Events:

We have evaluated and determined that no material events took place after our balance sheet date of September 30, 2009 through our financial statement issuance date of October 30, 2009, except as discussed in Note 15.

2 -- NEW ACCOUNTING PRONOUNCEMENTS

Fair Value Measurements:

In September 2006, the FASB issued new accounting guidance relating to fair value measurements and also issued updated accounting guidance in 2008 and 2009. This guidance defines fair value, provides guidance for using fair value to measure assets and liabilities as well as a framework for measuring fair value, expands disclosures related to fair value measurements and was effective for financial statements issued for fiscal years beginning after November 15, 2007. This adoption did not have a significant financial impact on our financial condition, results of operations or cash flow. See Note 7 -- Fair Value Measurements for required disclosures.

Noncontrolling Interests in Consolidated Financial Statements:

In December 2008, the FASB issued new accounting guidance relating to noncontrolling interests in consolidated financial statements. This guidance clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and was effective for fiscal years beginning on or after December 15, 2008. We adopted these provisions effective January 1, 2009. This adoption did not have a material financial impact on our financial condition, results of operations or cash flows.

Disclosures about Derivative Instruments and Hedging Activities:

In March 2008, the FASB issued new accounting guidance relating to derivative instruments and hedging activities. This guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements, and was effective for fiscal years beginning after November 15, 2008. We adopted these provisions effective January 1, 2009. This adoption did not have any financial impact on our financial condition, results of operations or cash flows. See Note 8 -- Derivative Instruments for required disclosures.

Subsequent Events:

In May 2009, the FASB issued new accounting guidance relating to management's assessment of subsequent events. This guidance clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date the financial statements are issued or are available to be issued, and was effective for interim and annual periods ending after June 15, 2009. We adopted these provisions effective June 30, 2009. This adoption had no material financial impact on our financial condition, results of operations or cash flows.

Interim Disclosures about Fair Value of Financial Instruments:

In April 2009, the FASB issued new accounting guidance, which requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in financial statements. We adopted these provisions effective June 30, 2009. This adoption had no financial impact on our financial condition, results of operations or cash flows. See Note 7 -- Fair Value Measurements for required disclosures.

Recognition and Presentation of Other-Than-Temporary Impairments:

In April 2009, the FASB issued new accounting guidance that amended the other-than-temporary impairment guidance for debt securities to be more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in financial statements. We adopted these provisions effective June 30, 2009. This adoption had no material financial impact on our financial condition, results of operations or cash flows.

Amendments to Variable Interest Entity Consolidation Guidance:

In June 2009, the FASB issued new accounting guidance related to variable interest entity consolidation. The purpose of this guidance is to improve financial reporting by enterprises with variable interest entities. The new guidance is effective for all new and existing variable interest entities for fiscal years beginning after November 15, 2009. We expect to adopt these provisions on January 1, 2010.

Employers' Disclosures about Post-retirement Benefit Plan Assets

: In December 2008, the FASB issued new accounting guidance for employer's disclosures about plan assets of a defined benefit pension or other post-retirement plans. This new guidance will result in expanded disclosures related to post-retirement benefit plan assets and is effective for fiscal years ending after December 15, 2009. We expect to adopt these provisions on December 31, 2009.

3 -- ACCOUNTING AND REPORTING fOR POWER THE FUTURE GENERATING UNITS

Background:

As part of our PTF strategy, our non-utility subsidiary, We Power, is building four new generating units (PWGS 1 and 2 and OC 1 and 2) that will be leased to our utility subsidiary, Wisconsin Electric, under long-term leases that have been approved by the PSCW, our primary regulator. The leases are designed to recover the capital costs of the plant including a return. PWGS 1 was placed in service in July 2005 and PWGS 2 was placed in service in May 2008. The accompanying consolidated financial statements eliminate all intercompany transactions between We Power and Wisconsin Electric and reflect the cash inflows from Wisconsin Electric customers and the cash outflows to our vendors and suppliers.

The Oak Creek expansion includes common projects that will benefit the existing units at this site as well as the new units. These projects include a coal handling facility and a water intake system. The costs associated with these projects are included under the OC 1 captions below. In November 2007, the coal handling system for Oak Creek was placed in service, and the water intake system was placed in service in January 2009.

During Construction:

Under the terms of each lease, we collect in current rates amounts representing our pre-tax cost of capital (debt and equity) associated with capital expenditures for our PTF units. Our pre-tax cost of capital is approximately 14%. The carrying costs that we collect in rates are recorded as

deferred revenue and will be amortized to revenue over the term of each lease once the respective unit is placed into service. During the construction of our PTF units, we capitalize interest costs at an overall weighted-average pre-tax cost of interest which was approximately 5% for the nine months ended September 30, 2009 and approximately 6% in 2008. Capitalized interest is included in the total cost of the PTF units shown below.

Cash Flows:

The following table identifies key pre-tax cash outflows and inflows for the nine months ended September 30 related to the construction of our PTF units as compared to Wisconsin Energy overall:

	Capital Expenditures (Millions of Dollars)				Total	
	PWGS 1	PWGS 2	OC 1	OC 2	PTF	WEC
2009	$ -	$ -	$82.6	$60.1	$142.7	$555.8
2008	$ -	$48.3	$226.3	$177.0	$451.6	$888.9

	Capitalized Interest (Millions of Dollars)				Total	
	PWGS 1	PWGS 2	OC 1	OC 2	PTF	WEC
2009	$ -	$ -	$33.0	$20.2	$53.2	$57.8
2008	$ -	$7.1	$36.2	$17.8	$61.1	$63.5

	Deferred Revenue (Millions of Dollars)				Total	
	PWGS 1	PWGS 2	OC 1	OC 2	PTF	WEC
2009	$ -	$ -	$92.0	$56.4	$148.4	$148.4
2008	$ -	$16.9	$89.8	$44.4	$151.1	$151.1

Balance Sheet:

As noted above, we collect in current rates carrying costs that are calculated based on the cash expenditures included in CWIP multiplied by our pre-tax cost of capital. The carrying costs are recorded as deferred revenue and included in long-term liabilities. Our total CWIP balance includes cash expenditures, capitalized interest and accruals. The following table identifies key amounts related to our PTF units that were recorded on our balance sheet as of September 30, 2009 and December 31, 2008:

	CWIP - Cash Expenditures (Millions of Dollars)				Total
	PWGS 1	PWGS 2	OC 1	OC 2	PTF
September 30, 2009	$ -	$ -	$947.1	$571.8	$1,518.9
December 31, 2008	$ -	$ -	$952.9	$520.8	$1,473.7

	Total CWIP (Millions of Dollars)				Total	
	PWGS 1	PWGS 2	OC 1	OC 2	PTF	WEC
September 30, 2009	$ -	$ -	$1,075.9	$642.6	$1,718.5	$2,062.1
December 31, 2008	$ -	$ -	$1,065.5	$571.3	$1,636.8	$1,829.9

	Net Plant in Service (Millions of Dollars)				Total	
	PWGS 1	PWGS 2	OC 1	OC 2	PTF	WEC
September 30, 2009	$326.2	$354.1	$320.7	$ -	$1,001.0	$6,769.6
December 31, 2008	$332.7	$360.3	$194.0	$ -	$887.0	$6,596.5

	Deferred Revenue, net (Millions of Dollars)				Total	
	PWGS 1	PWGS 2	OC 1	OC 2	PTF	WEC
September 30, 2009	$60.3	$74.9	$376.2	$176.5	$687.9	$687.9
December 31, 2008	$62.7	$77.3	$285.5	$119.9	$545.4	$545.4

Income Statement:

Once the PTF units are placed in service, we expect to recover in rates the lease costs which reflect the authorized cash construction costs of the units plus a return on the investment. The authorized cash costs are established by the PSCW. The authorized cash costs exclude capitalized interest since carrying costs are recovered during the construction of the units. The lease payments are expected to be levelized, except that OC 1 and OC 2 will be recovered on a levelized basis that has a one time 10.6% escalation after the first five years of the leases. The leases established a set return on equity component of 12.7% after tax. The interest component of the return is determined up to 180 days prior to the date that the units are placed in service.

We recognize revenues related to the lease payments that are included in our rates. In addition, our revenues include the amortization of the deferred revenues that reflect the carrying costs that are collected during construction. The deferred revenue is amortized over the lease term. We depreciate the units on a straight line basis over their expected service life.

In July 2005, PWGS 1 was placed in service. This asset had a cost of approximately $364.3 million, which included approximately $31.1 million of capitalized interest. The asset is being depreciated over its estimated useful life of 37 years. The cost of the plant, plus a return on the investment, is expected to be recovered through Wisconsin Electric's rates over a 25 year period at an annual amount of approximately $48 million.

In November 2007, the coal handling system for Oak Creek was placed into service. This asset had a cost of approximately $199.1 million. This asset is being depreciated over its estimated useful life of 40 years. The cost of the system, plus a return on the investment, is expected to be recovered through Wisconsin Electric's rates over a 32 year period at an annual amount of approximately $24 million.

In May 2008, PWGS 2 was placed in service. This asset had a cost of approximately $366.0 million, which included approximately $34.0 million of capitalized interest. The asset is being depreciated over its estimated useful life of 37 years. The cost of the plant, plus a return on the investment, is expected to be recovered through Wisconsin Electric's rates over a 25 year period at an annual amount of approximately $49 million.

In January 2009, the new water intake system that serves both the existing units at Oak Creek and OC 1 and OC 2 was placed in service. This asset had a cost of approximately $132.5 million. This asset is being depreciated over its estimated useful life of 40 years. The cost of the system, plus a return on the investment, is expected to be recovered through Wisconsin Electric's rates over a 31 year period at an annual amount of approximately $16 million.

4 -- COMMON EQUITY

Share-Based Compensation Expense:

For a description of share-based compensation, including stock options, restricted stock and performance units, see Note J -- Common Equity in our 2008 Annual Report on Form 10-K. We utilize the straight-line attribution method for recognizing share-based compensation expense. Accordingly, for employee awards, equity classified share-based compensation cost is measured at the grant date based on the fair value of the award, and is recognized as expense over the requisite service period. There were no modifications to outstanding stock options during the period. Shares purchased on the open market by our independent agents are currently used to satisfy the exercise of share-based awards.

The following table summarizes recorded pre-tax share-based compensation expense and the related tax benefit for share-based awards made to our employees and directors:

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
	(Millions of Dollars)			
Stock options	$2.7	$2.9	$8.0	$8.8
Performance units	5.7	3.3	9.6	6.2
Restricted stock	0.2	0.2	0.7	0.8
Share-based compensation expense	$8.6	$6.4	$18.3	$15.8
Related Tax Benefit	$3.4	$2.5	$7.3	$6.3

Stock Option Activity:

During the first nine months of 2009, the Compensation Committee granted 1,216,625 options that had an estimated fair value of $8.01 per share. During the first nine months of 2008, the Compensation Committee granted 1,362,160 options that had an estimated fair value of $9.39 per share. The following assumptions were used to value the options using a binomial option pricing model:

	2009	2008
Risk-free interest rate	0.3% - 2.5%	2.9% - 3.9%
Dividend yield	3.0%	2.1%
Expected volatility	25.9%	20.0%
Expected forfeiture rate	2.0%	2.0%
Expected life (years)	6.2	6.2

The risk-free interest rate is based on the U.S. Treasury interest rate whose term is consistent with the expected life of the stock options. Dividend yield, expected volatility, expected forfeiture rate and expected life assumptions are based on our historical experience.

The following is a summary of our stock option activity for the three and nine months ended September 30, 2009:

Stock Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (Millions)
Outstanding as of July 1, 2009	9,506,451	$37.93		
Granted	-			

Exercised	(239,563)	$26.10		
Forfeited	-			
Outstanding as of September 30, 2009	9,266,888	$38.24		
Outstanding as of January 1, 2009	8,543,564	$36.97		
Granted	1,216,625	$42.22		
Exercised	(485,941)	$25.75		
Forfeited	(7,360)	$46.09		
Outstanding as of September 30, 2009	9,266,888	$38.24	6.1	$71.6
Exercisable as of September 30, 2009	5,601,788	$33.14	4.7	$68.1

The intrinsic value of options exercised was $4.3 million and $8.2 million for the three and nine months ended September 30, 2009, and $2.5 million and $8.7 million for the same periods in 2008, respectively. Cash received from options exercised was $12.5 million and $10.0 million for the nine months ended

September 30, 2009 and 2008, respectively. The actual tax benefit realized for the tax deductions from option exercises for the same periods was approximately $3.3 million and $2.9 million, respectively.

Stock options to purchase 2,718,965 shares of common stock, with prices ranging from $47.76 to $48.04 per share were outstanding during the first nine months of 2009, but were not included in the computation of diluted earnings per share because they were anti-dilutive.

The following table summarizes information about stock options outstanding as of September 30, 2009:

	Options Outstanding			Options Exercisable		
		Weighted-Average			Weighted-Average	
Range of Exercise Prices	Number of Options	Exercise Price	Remaining Contractual Life (Years)	Number of Options	Exercise Price	Remaining Contractual Life (Years)
$19.62 to $31.07	1,696,468	$25.42	3.0	1,696,468	$25.42	3.0
$33.44 to $39.48	3,625,165	$35.66	5.2	3,625,165	$35.66	5.2
$42.22 to $48.04	3,945,255	$46.13	8.2	280,155	$47.33	7.5
	9,266,888	$38.24	6.1	5,601,788	$33.14	4.7

The following table summarizes information about our non-vested options during the three and nine months ended September 30, 2009:

Non-Vested Stock Options	Number of Options	Weighted-Average Fair Value
Non-vested as of July 1, 2009	3,716,495	$8.72
Granted	-	
Vested	(51,395)	$8.46
Forfeited	-	
Non-vested as of September 30, 2009	3,665,100	$8.73
Non-vested as of January 1, 2009	3,598,379	$8.81
Granted	1,216,625	$8.01
Vested	(1,142,544)	$7.59
Forfeited	(7,360)	$8.73
Non-vested as of September 30, 2009	3,665,100	$8.73

As of September 30, 2009, total compensation costs related to non-vested stock options not yet recognized was approximately $10.2 million, which is expected to be recognized over the next 17 months on a weighted-average basis.

Restricted Shares:

The Compensation Committee has also approved restricted stock grants to certain key employees and directors. The following restricted stock activity occurred during the three and nine months ended September 30, 2009:

Restricted Shares	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding as of July 1, 2009	112,730	
Granted	-	
Released / Forfeited	(1,923)	$29.13

Outstanding as of September 30, 2009	110,807	

Outstanding as of January 1, 2009	116,373	
Granted	14,216	$42.11
Released / Forfeited	(19,782)	$35.30
Outstanding as of September 30, 2009	110,807	

We record the market value of the restricted stock awards on the date of grant, and then we charge their value to expense over the vesting period of the awards. We also adjust expense for acceleration of vesting due to achievement of performance goals. The intrinsic value of restricted stock vesting was $0.1 million and $0.8 million for the three and nine months ended September 30, 2009, and $0.2 million and $2.0 million for the same periods in 2008, respectively. The actual tax benefits realized for tax deductions associated with released restricted shares was zero and $0.3 million for the three and nine months ended September 30, 2009, and $0.1 million and $0.5 million for the same periods in 2008, respectively.

As of September 30, 2009, total compensation cost related to restricted stock not yet recognized was approximately $1.6 million, which is expected to be recognized over the next 30 months on a weighted-average basis.

Performance Units:

In January 2009 and 2008, the Compensation Committee granted 333,220 and 133,855 performance units, respectively, to officers and other key employees under the Wisconsin Energy Performance Unit Plan. Under the grants, the ultimate number of units that will be awarded is dependent upon the achievement of certain financial performance of our stock over a three year period. We are accruing compensation costs over the three year period based on our estimate of the final expected value of each award. Performance units earned as of December 31, 2008 and 2007 vested and were settled during the first quarter of 2009 and 2008, and had a total intrinsic value of $8.4 million and $5.2 million, respectively. The actual tax benefit realized for the tax deductions from the settlement of performance units was approximately $3.1 million and $1.8 million, respectively. As of September 30, 2009, total compensation cost related to performance units not yet recognized was approximately $15.1 million, which is expected to be recognized over the next 23 months on a weighted-average basis.

Restrictions:

Wisconsin Energy's ability as a holding company to pay common dividends is primarily dependent upon the availability of funds received from its primary subsidiaries, Wisconsin Electric, Wisconsin Gas and We Power. Various financing arrangements and regulatory requirements impose certain restrictions on the ability of our principal utility subsidiaries to transfer funds to us in the form of cash dividends, loans or advances. In addition, under Wisconsin law, Wisconsin Electric and Wisconsin Gas are prohibited from loaning funds, either directly or indirectly, to Wisconsin Energy. See Note J --Common Equity in our 2008 Annual Report on Form 10-K for additional information on these and other restrictions.

We do not believe that these restrictions will materially affect our operations or limit any dividend payments in the foreseeable future.

Comprehensive Income:

Comprehensive income includes all changes in equity during a period except those resulting from investments by and distributions to owners. We recorded the following total comprehensive income, net of tax, during the nine months ended September 30:

Comprehensive Income	2009	2008
	(Millions of Dollars)	
Net Income	$263.7	$258.7
Other Comprehensive Income		
Hedging	0.3	0.3
Total Other Comprehensive Income	0.3	0.3
Total Comprehensive Income	$264.0	$259.0

5 -- LONG TERM DEBT

Wisconsin Electric is the obligor under two series of tax-exempt pollution control refunding bonds in outstanding principal amount of $147 million. In August 2009, Wisconsin Electric terminated letters of credit that provided credit and liquidity support for the bonds, which resulted in a mandatory tender of the bonds. Wisconsin Electric purchased the bonds at par plus accrued interest to the date of purchase. Wisconsin Electric issued commercial paper to fund the purchase of the bonds. As of September 30, 2009, the repurchased bonds were still outstanding, but were reported as a reduction in our consolidated long-term debt. Depending on market conditions and other factors, Wisconsin Electric may change the method used to determine the interest rate on the bonds and have them remarketed to third parties.

6 -- DISCONTINUED OPERATIONS

Effective April 30, 2009, we sold our water utility to the City of Mequon, Wisconsin for approximately $14.5 million.

The assets and liabilities associated with our water utility reclassified as held for sale within other current assets and liabilities on our Consolidated Condensed Balance Sheets as of December 31, 2008 were $14.4 million and $0.3 million, respectively. We also reclassified the water utility income as discontinued operations in the accompanying Consolidated Condensed Income Statements.

The following table summarizes the net impacts of the discontinued operations on our earnings as of September 30, 2009 and 2008:

	Three Months	Nine Months

	Ended September 30		Ended September 30	
	2009	2008	2009 (a)	2008
	(Millions of Dollars)			
Income from Continuing Operations	$58.7	$76.6	$263.6	$257.8
Income from Discontinued water operations, net of tax	-	0.3	0.4	0.7
Income (Loss) from Discontinued other operations, net of tax	(0.2)	0.6	(0.3)	0.2
Net Income	$58.5	$77.5	$263.7	$258.7

(a) As a result of its sale effective April 30, 2009, we operated the water utility for four of the nine months ended September 30, 2009.

Cash provided by operating activities in our Consolidated Condensed Statements of Cash Flows reflects income from discontinued water operations, net of tax, of $0.5 million and $0.9 million for the nine

months ended September 30, 2009 and 2008, respectively. Cash used in investing activities reflects activity from discontinued water operations of $0.1 million and $0.5 million for the nine months ended September 30, 2009 and 2008, respectively. Discontinued water operations had no material impact on financing activities for the nine months ended September 30, 2009 and 2008.

7 -- FAIR VALUE MEASUREMENTS

Fair value measurements require enhanced disclosures about assets and liabilities that are measured and reported at fair value and establish a hierarchal disclosure framework which prioritizes and ranks the level of observable inputs used in measuring fair value.

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We primarily apply the market approach for recurring fair value measurements and attempt to utilize the best available information. Accordingly, we also utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. We are able to classify fair value balances based on the observability of those inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 -- Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Instruments in this category consist of financial instruments such as exchange-traded derivatives, cash equivalents and restricted cash investments.

Level 2 -- Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Instruments in this category include non-exchange-traded derivatives such as OTC forwards and options.

Level 3 -- Pricing inputs include significant inputs that are generally less observable from objective sources. The inputs in the determination of fair value require significant management judgment or estimation. At each balance sheet date, we perform an analysis of all instruments subject to fair value reporting and include in Level 3 all instruments whose fair value is based on significant unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

The following tables summarize our financial assets and liabilities by level within the fair value hierarchy:

Recurring Fair Value Measures	As of September 30, 2009			
	Level 1	Level 2	Level 3	Total
	(Millions of Dollars)			
Assets:				
Restricted Cash	$237.0	$ -	$ -	$237.0
Derivatives	4.6	7.2	10.2	22.0
Total	$241.6	$7.2	$10.2	$259.0
Liabilities:				
Derivatives	$6.3	$4.3	$ -	$10.6
Total	$6.3	$4.3	$ -	$10.6

Recurring Fair Value Measures	As of December 31, 2008			
	Level 1	Level 2	Level 3	Total
	(Millions of Dollars)			
Assets:				
Cash Equivalents	$9.1	$ -	$ -	$9.1

Restricted Cash	386.5	-	-	386.5
Derivatives	-	4.2	8.8	13.0
Total	$395.6	$4.2	$8.8	$408.6
Liabilities:				
Derivatives	$38.9	$32.1	$ -	$71.0
Total	$38.9	$32.1	$ -	$71.0

Cash Equivalents consist of certificates of deposit and money market funds. Restricted cash consists of certificates of deposit and government backed interest bearing securities and represents the remaining funds to be distributed to customers resulting from the net proceeds received from the sale of Point Beach. Derivatives reflect positions we hold in exchange-traded derivative contracts and OTC derivative contracts. Exchange-traded derivative contracts, which include futures and exchange-traded options, are generally based on unadjusted quoted prices in active markets and are classified within Level 1. Some OTC derivative contracts are valued using broker or dealer quotations, or market transactions in either the listed or OTC markets utilizing a mid-market pricing convention (the mid-point between bid and ask prices), as appropriate. In such cases, these derivatives are classified within Level 2. Certain OTC derivatives may utilize models to measure fair value. Generally, we use a similar model to value similar instruments. Valuation models utilize various inputs which include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC derivatives are in less active markets with a lower availability of pricing information which might not be observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3.

The following tables summarize the fair value of derivatives classified as Level 3 in the fair value hierarchy:

Quarter to Date	2009	2008
	(Millions of Dollars)	
Balance as of July 1	$15.5	$21.5
Realized and unrealized gains (losses)	-	-
Purchases, issuances and settlements	(5.3)	(6.8)
Transfers in and/or out of Level 3	-	-
Balance as of September 30	$10.2	$14.7
Change in unrealized gains (losses) relating to instruments still held as of September 30	$ -	$ -

Year to Date	2009	2008
	(Millions of Dollars)	
Balance as of January 1	$8.8	$13.0
Realized and unrealized gains (losses)	-	-
Purchases, issuances and settlements	1.4	1.7
Transfers in and/or out of Level 3	-	-
Balance as of September 30	$10.2	$14.7
Change in unrealized gains (losses) relating to instruments still held as of September 30	$ -	$ -

Derivative instruments reflected in Level 3 of the hierarchy include MISO FTRs that are measured at fair value each reporting period using monthly or annual auction shadow prices from relevant auctions. Changes in fair value for Level 3 recurring items are recorded on our balance sheet. See Note 8 -- Derivative Instruments, for further information on the offset to regulatory assets and liabilities.

The carrying amount and estimated fair value of certain of our recorded financial instruments are as follows:

	September 30, 2009		December 31, 2008	
Financial Instruments	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Millions of Dollars)			
Preferred stock, no redemption required	$30.4	$20.2	$30.4	$19.0
Long-term debt including current portion	$3,818.8	$3,944.6	$4,009.4	$3,711.9

The carrying value of net accounts receivable, accounts payable and short-term borrowings approximates fair value due to the short-term nature of these instruments. The fair value of our preferred stock is estimated based upon the quoted market value for the same or similar issues. The fair value of our long-term debt, including the current portion of long-term debt, but excluding capitalized leases and unamortized discount debt, is estimated based upon quoted market value for the same or similar issues or upon the quoted market prices of U.S. Treasury issues having a similar term to maturity, adjusted for the issuing company's bond rating and the present value of future cash flows.

8 -- DERIVATIVE INSTRUMENTS

We record derivative instruments on the balance sheet as an asset or liability measured at its fair value, and changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. For most energy related physical and financial contracts in our regulated operations that qualify as derivatives, the PSCW allows the effects of the fair market value accounting to be offset to regulatory assets and liabilities. We do not offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivatives executed with the same counterparty under the same master netting arrangement. As of September 30, 2009, we recognized $23.6 million in regulatory assets and $17.5 million in regulatory liabilities related to derivatives.

We utilize derivatives as part of our risk management program to manage the volatility and costs of purchased power, generation and natural gas purchases for the benefit of our customers and shareholders. Our approach is non-speculative and designed to mitigate risk and protect against price volatility. Regulated hedging programs require prior approval by the PSCW.

We record our current derivative assets on the balance sheet in Prepayments and other current assets and the current portion of the liabilities in Other current liabilities. The long-term portion of our derivative assets of $1.0 million is recorded in Other deferred charges and other assets and the long-term portion of our derivative liabilities of $4.3 million is recorded in Other deferred credits and other liabilities. Our Consolidated Condensed Balance Sheet as of September 30, 2009 includes:

	Derivative Asset	Derivative Liability
	(Millions of Dollars)	
Natural Gas	$7.0	$10.6
Fuel Oil	0.5	-
FTRs	10.3	-
Coal	4.2	-
Total	$22.0	$10.6

Our Consolidated Condensed Income Statements include gains (losses) on derivative instruments used in our risk management strategies for those commodities supporting our electric operations and natural gas sold to our customers. Our estimated notional volumes and gain (losses) for the three and nine months ended September 30, 2009 were as follows:

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	Volume	Gains (Losses)	Volume	Gains (Losses)
		(Millions of Dollars)		(Millions of Dollars)
Natural Gas	21.4 million Dth	($26.4)	67.1 million Dth	($80.0)
Energy	8,400 MWh	-	23,520 MWh	(0.6)
Fuel Oil	2.1 million gallons	(0.5)	5.1 million gallons	(2.3)
FTRs	6,659 MW	1.2	21,432 MW	6.4
Total		($25.7)		($76.5)

As of September 30, 2009 we have posted collateral of $12.5 million in our margin accounts.

9 -- BENEFITS

The components of our net periodic pension and OPEB costs for the three and nine months ended September 30, 2009 and 2008 were as follows:

	Pension Benefits		OPEB	
Benefit Plan Cost Components	2009	2008	2009	2008
	(Millions of Dollars)			
Three Months Ended September 30				
Net Periodic Benefit Cost				
Service cost	$5.7	$4.4	$2.2	$2.6
Interest cost	18.1	17.8	5.1	5.0
Expected return on plan assets	(23.8)	(21.2)	(3.4)	(4.4)
Amortization of:				
Transition obligation	-	-	0.1	-
Prior service cost (credit)	0.6	0.6	(3.1)	(3.1)
Actuarial loss	4.7	4.1	2.2	1.6
Net Periodic Benefit Cost	$5.3	$5.7	$3.1	$1.7
Nine Months Ended September 30				
Net Periodic Benefit Cost				
Service cost	$17.4	$13.1	$6.5	$7.8
Interest cost	54.2	53.3	15.4	15.0
Expected return on plan assets	(71.5)	(63.6)	(10.2)	(13.2)
Amortization of:				
Transition obligation	-	-	0.2	0.2
Prior service cost (credit)	1.7	1.9	(9.4)	(9.4)
Actuarial loss	14.1	12.3	6.7	4.5
Net Periodic Benefit Cost	$15.9	$17.0	$9.2	$4.9

In January 2009, we contributed $289.3 million to our benefit plans. Future contributions to the plans will be dependent upon many factors, including the performance of existing plan assets and long-term discount rates. In January 2009, the committee that oversees the investment of the pension assets authorized the Trustee of our pension plan to invest in the commercial paper of Wisconsin Energy. As of September 30, 2009, the Pension Trust held approximately $84 million of commercial paper issued by Wisconsin Energy, which represents less than 10% of total assets of the plan.

10 -- GUARANTEES

We enter into various guarantees to provide financial and performance assurance to third parties on behalf of our affiliates. As of September 30, 2009, we had the following guarantees:

	Maximum Potential Future Payments	Outstanding	Liability Recorded
		(Millions of Dollars)	
Wisconsin Energy			
Non-Utility Energy	$ -	$ -	$ -
Other	0.2	0.2	-
Wisconsin Electric	2.9	0.1	-
Total	$3.1	$0.3	$ -

A non-utility energy segment guarantee in support of Wisvest-Connecticut, which we sold in December 2002 to PSEG, provides financial assurance for potential obligations relating to environmental remediation under the original purchase agreement for Wisvest-Connecticut with The United Illuminating Company. The potential obligations for environmental remediation, which are unlimited, are reimbursable by PSEG under the terms of the sale agreement in the event that we are required to perform under the guarantee.

Other guarantees support obligations of our affiliates to third parties under loan agreements and surety bonds. In the event our affiliates fail to perform, we would be responsible for the obligations.

Wisconsin Electric is subject to the potential retrospective premiums that could be assessed under its insurance program.

Postemployment benefits:

Postemployment benefits provided to former or inactive employees are recognized when an event occurs. The estimated liability for such benefits was $17.8 million as of September 30, 2009 and $18.6 million as of December 31, 2008.

11 -- SEGMENT INFORMATION

Summarized financial information concerning our reportable operating segments for the three and nine month periods ended September 30, 2009 and 2008 is shown in the following table:

	Reportable Operating Segments Energy		Corporate & Other (a) & Reconciling	Total
Wisconsin Energy Corporation	Utility	Non-Utility	Items	Consolidated
		(Millions of Dollars)		
Three Months Ended				
September 30, 2009				
Operating Revenues (b)	$817.5	$44.3	($39.9)	$821.9
Depreciation, Decommissioning and Amortization	$79.8	$7.3	$0.2	$87.3
Operating Income (Loss)	$74.9	$32.5	($2.5)	$104.9
Equity in Earnings of Unconsolidated Affiliates	$14.9	$ -	($0.1)	$14.8
Interest Expense, net	$29.0	$3.4	$6.0	$38.4
Income Tax Expense (Benefit)	$24.4	$11.6	($2.9)	$33.1
Income (Loss) from Discontinued Operations, Net of Tax	$ -			