

WISCONSIN ENERGY CORPORATION

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

Adopted: December 20, 1995; Revised: February 10, 2003

PURPOSE

The principal purpose of the Compensation Committee (Committee) is to (i) identify through succession planning potential executive officers of the Company, (ii) provide a competitive, performance-based executive and director compensation program that enables the Company to attract and retain key individuals and to motivate them to achieve the Company's short- and long-term goals, and (iii) produce an annual report on executive compensation for inclusion in the Company's proxy statement in accordance with all applicable rules and regulations. The Committee shall report all significant findings to the Board.

COMPOSITION

The Committee shall be comprised of three or more independent directors who are periodically appointed by the Board. Members shall serve at the pleasure of the Board and for such term or terms as the Board may determine. One of the directors shall be appointed Committee Chair for a term to be determined by the Board. In the event the Committee Chair is unable to serve as Chair for a specific meeting, he/she shall designate one of the Committee members to preside. The Committee shall meet not less than twice per year.

DUTIES AND RESPONSIBILITIES

Compensation Philosophy and Committee Practices

- Determine and periodically review the Committee's compensation philosophy.
- Determine and review the compensation and benefits to be paid to the executive officers. Oversee the compensation and benefits to be paid to other officers and key employees.
- Establish the total compensation package for the CEO. Set annual and long-term performance goals for the CEO, annually evaluate the CEO's performance against such goals and determine compensation adjustments based on whether these goals have been achieved.
- Review compensation and benefits being provided to executive officers and directors of companies with which the Company is competing for executive talent.

Elements of Officers' Compensation and Benefits

- *Base Salaries.* Annually review and adjust, if necessary, executive officers' salaries principally based on a comparison of the officer's salary to comparable competitive positions and the individual executive officer's experience, responsibilities and performance.
- *Incentive Compensation.* Make recommendations to the Board with respect to incentive compensation plans and equity-based plans. Administer, periodically review and approve significant changes to the Company's executive incentive compensation plans.
- Determine overall scope of participation in the incentive plans and which executive officers shall participate in the plans. Determine the overall scope and weighting of performance

measures and target award levels under the plans and the types of stock incentive compensation to be provided under the plans.

- Determine each executive's award under the incentive plans. Determine the aggregate incentive compensation awards for all participants in the plans as a group.
- Establish, review and adjust Company stock ownership guidelines for executive officers.
- *Benefits.* Annually review and adjust, as needed, the benefit package being offered to officers to ensure that the benefit package assists with attracting, retaining and motivating officers. Perform such duties and responsibilities as may be assigned to the Committee under the terms of the Company's benefit plans.

Non-Employee Directors' Compensation and Benefits

- Annually review and adjust, as needed, the non-employee directors' compensation and benefit package to ensure that the package assists with attracting, retaining and motivating directors.
- Periodically, consider the Company stock ownership levels of directors.

Management Succession

- Establish policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.
- Review organizational changes that have a significant impact on the Company or its business.
- Review succession plans for executive officers.

Communications to Stockholders

- Ensure that stockholders are adequately and accurately informed of the Committee's decisions. As part of this role, the Committee shall produce an annual report on executive compensation for inclusion in the Company's proxy statement in accordance with applicable rules and regulations.

Annual Performance Evaluation

- Produce and provide to the Board an annual performance evaluation of the Committee. The evaluation shall compare the performance of the Committee with the requirements of this Charter. Recommend to the Board any improvements to the Charter.

Other Matters

- The Committee shall have sole authority to retain and terminate a compensation consultant to assist it in fulfilling its duties, including sole authority to approve the firm's fees and other retention terms.
- The Committee shall also be responsible for any other matters as may from time to time be requested by the Board of Directors and/or the Chief Executive Officer.
- The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.