

Powerful Performance

An Interview with Gale E. Klappa,
Chairman and Chief Executive Officer, Wisconsin Energy Corporation



Wisconsin Energy's Oak Creek Expansion Units, Oak Creek, Wisconsin

EDITORS' NOTE Gale Klappa is also Chairman, President, and Chief Executive of Wisconsin Energy's principal utility, We Energies. He has held these roles since May 2004. Klappa joined Wisconsin Energy as President in April 2003. He was elected to the company's Board of Directors in December 2003. Prior to joining Wisconsin Energy, he served as Executive Vice President, Chief Financial Officer, and Treasurer of Southern Company in Atlanta, Georgia. Previously in his career, Klappa was Southern Company's Chief Strategic Officer, the North American Group President of Southern Energy Inc., and President and CEO of South Western Electricity, Southern Company's electric distribution utility in the United Kingdom. Before his assignment in the U.K., he was Senior Vice President of Marketing for Georgia Power Company, a subsidiary of Southern Company. Klappa is a 1972 graduate cum laude of the University of Wisconsin-Milwaukee, with a bachelor's degree in mass communications.



Gale E. Klappa

COMPANY BRIEF Based in Milwaukee, Wisconsin Energy Corporation (wisconsinenergy.com), is one of the nation's premier energy companies, serving more than 1.1 million electric customers in Wisconsin and Michigan's Upper Peninsula and 1.1 million natural gas customers in Wisconsin. The company's principal utility is We Energies. The company's other major subsidiary, We Power, designs, builds, and owns electric generating plants. Wisconsin Energy, a component of the S&P 500, has more than \$14 billion of assets, approximately 4,500 employees, and more than 41,000 stockholders of record.

How has Wisconsin Energy Corporation maintained such consistent results over time?

We're the only company in any of the major utility indices that has been able to grow earnings per share and dividends per share every year since 2003. There are a few key factors that have led to our strong, consistent performance.

The first is a relentless focus on customer satisfaction. We talk with more than 3,000 of our customers every week and ask for their feedback on our performance and on our service. The

organization has been laser-focused on doing our jobs well, and with the end goal of very satisfied customers.

Second, from the standpoint of energy, the region was in dire need of new and upgraded energy infrastructure. Since 2003, we have invested some \$10 billion in infrastructure upgrades: new power plants, new distribution systems and upgrading the existing networks.

We now have a state-of-the-art, 21st century electric system and natural gas delivery system that has led to

our reliability records. We were recently named the most reliable utility in America – we're very proud of our folks for that achievement.

Third, overall, we've invested that \$10 billion on time and on budget, and this has been extremely important to keeping our rates affordable and our customer satisfaction high. It also demonstrates the capability of the company.

When you look at the business, are there certain issues that worry you in terms of security?

There is no question that cybersecurity is a growing threat for American business in general, and for our industry in particular.

Most companies in our industry have gone to great lengths to protect their networks and their customer information systems from the threat of cybersecurity. However, those who would try to infiltrate our networks are getting smarter every day.

The second concern is that we not be lulled to sleep as a country or an industry with today's relatively low natural gas prices. As we build new power plant capacity and as we must expand our networks, we simply can't fall into the trap of putting all of our eggs into the natural gas basket.

As important as shale gas is to the future of the country, there is no one perfect fuel source.

We must continue to advocate for an energy policy that relies on multiple fuel sources including coal, and the ability to burn coal cleanly as opposed to depending solely on renewables or natural gas.

Are those particular concerns being addressed?

There is no question that Governor Walker understands the importance of fuel diversity for customers across the state.

At a national level, we're seeing additional Environmental Protection Agency initiatives that will make it increasingly difficult if not impossible to continue to use – at least in any new power plant – coal as a fuel source.

I'm concerned about the direction nationally. Essentially, one of the most abundant energy resources we have in this country – which we can burn cleanly – is coal. And coal may be literally taken off the table as an option for companies like ours.

What are the benefits that Wisconsin Energy offers from a business perspective, and how important has it been to build that business-friendly environment?

There is no doubt that economic growth, business growth, and job growth are the keys to success for any state.

When Governor Walker took office, he inherited a multibillion-dollar structural budget deficit, and he took a number of significant steps in terms of cost reduction and cost control.

But with that, he made it very clear that he wanted Wisconsin to be viewed as a pro-business state where business could thrive – a state where business had the support of the governor and the administration. He has since demonstrated that.

He has made a number of legislative changes – we now have economic incentive tools in place that are competitive with almost any state in the country.

When you look at industries that Wisconsin is particularly known for, you see that the governor understands the industry clusters that have strong potential for growth.

The state budget is balanced. The Governor is now proposing both income and property tax relief. The initiatives that the governor has put in place to support the growth of business has led us to a point where we're beginning to turn the tide.

Just recently, Amazon announced that it intends to build a 1.1 million-square-foot distribution center in southeastern Wisconsin. There is also a major company headquartered in the Northeast in the organic food industry. This company has chosen a site in Wisconsin for a sizable distribution center – its first investment in the Midwest.

I could go on with examples of how a supportive business climate with the appropriate incentives that make Wisconsin competitive are beginning to pay dividends for economic growth and population growth – all leading to a bright future for the state. ●