

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **1994-01-04** | Period of Report: **1994-01-01**
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FILER

WISCONSIN NATURAL GAS CO

CIK: **107830** | IRS No.: **390713260** | State of Incorpor.: **WI** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **002-02066** | Film No.: **94500300**
SIC: **4922** Natural gas transmission

Business Address
231 W MICHIGAN ST
PO BOX 2046
MILWAUKEE WI 53201
4142772590

WISCONSIN NATURAL GAS COMPANY

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

ACQUISITION OF WISCONSIN SOUTHERN GAS COMPANY, INC.

Effective at 12:01 a.m. on January 1, 1994, Wisconsin Southern Gas Company, Inc. ("Wisconsin Southern") was acquired by Wisconsin Energy Corporation ("Wisconsin Energy") through a merger (the "Merger") of Wisconsin Southern into Wisconsin Natural Gas Company ("Wisconsin Natural"), a wholly-owned subsidiary of Wisconsin Energy. In the transaction, structured as a tax-free reorganization, all outstanding shares of Wisconsin Southern common stock were converted into shares of Wisconsin Energy common stock based on an exchange ratio (the "Exchange Ratio") of 1.6330 shares of Wisconsin Energy common stock for each outstanding share of Wisconsin Southern common stock. In lieu of issuing fractional shares, Wisconsin Energy will pay a sum in cash equal to the value of such fractional shares based on the average closing price of Wisconsin Energy common stock on the New York Stock Exchange for the ten trading days immediately preceding the closing date (the "Average Closing Price"), which was \$27.70. As of December 31, 1993, Wisconsin Southern had 1,003,392 shares outstanding.

On December 7, 1993, the Public Service Commission of Wisconsin issued an order approving the Merger.

The Merger was effected pursuant to the Agreement and Plan of Reorganization, dated as of July 30, 1993, by and among Wisconsin Energy, Wisconsin Natural and Wisconsin Southern, including the related Plan and Agreement of Merger between Wisconsin Southern and Wisconsin Natural (together, the "Reorganization Agreement"). The Reorganization Agreement was approved by the requisite vote of the stockholders of Wisconsin Southern at a special meeting of stockholders held on November 24, 1993.

Wisconsin Southern was a gas utility engaged in the purchase, distribution, transportation and sale of natural gas for residential, commercial and industrial consumption in 37 cities, villages and unincorporated towns in southeastern Wisconsin, having a population of approximately 104,000, and in and around Prairie du Chien, Wisconsin, a community of approximately 7,300 persons located in southwestern Wisconsin. Wisconsin Southern's service territory in southeastern Wisconsin was contiguous to the Wisconsin Natural service territory west and south of Milwaukee, Wisconsin. Wisconsin Natural will to continue to use the acquired facilities of Wisconsin Southern for the distribution and transportation of natural gas.

The Exchange Ratio was determined by negotiations among the parties to the Reorganization Agreement after Wisconsin Southern determined to negotiate exclusively with Wisconsin Energy following two rounds of bidding by companies who were solicited by Wisconsin Southern's financial advisor to submit offers to enter into a business combination transaction with Wisconsin Southern. If the Average Closing Price had been less than \$25.7195 or more than \$28.7814, the Exchange Ratio would have been calculated by dividing \$44.50 by the Average Closing Price, but in no event would the Exchange Ratio have been more than 1.8167 or less than 1.4830 shares of Wisconsin Energy common stock for each share of Wisconsin Southern common stock.

WISCONSIN NATURAL GAS COMPANY

ACQUISITION OF WISCONSIN SOUTHERN GAS COMPANY, INC. (Cont'd)

The Merger has been structured to qualify as a pooling of interests for accounting and financial reporting purposes.

Further information concerning the Merger is set forth in the Proxy Statement/Prospectus dated October 20, 1993 contained in the Registration Statement of Wisconsin Energy on Form S-4 (No. 33-50653) relating to the transaction.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

The following financial statements, pro forma financial information and exhibits are filed as part of this report:

(a) FINANCIAL STATEMENTS:

Filed as Exhibit (99)-2 to this report, as listed in paragraph (c) of this Item. (The audited financial statements so listed are incorporated herein by reference to pages F-2 through F-13 of the Proxy Statement/Prospectus dated October 20, 1993 contained in the Registration Statement of Wisconsin Energy Corporation on Form S-4, No. 33-50653, the unaudited interim financial statements so listed are incorporated herein by reference to pages 2 - 8 of the Quarterly Report on Form 10-Q of Wisconsin Southern Gas Company, Inc. for the quarter ended September 30, 1993, and copies thereof are filed as exhibits to this report in accordance with Rule 12b-23 under the Securities Exchange Act of 1934.)

(b) PRO FORMA FINANCIAL INFORMATION:

Condensed Income Statements for the Twelve Months Ended
September 30, 1993 and for the Years Ended December 31,
1992, 1991 and 1990

Condensed Balance Sheets at September 30, 1993,
December 31, 1992 and December 31, 1991

(c) EXHIBITS:

The following exhibits are filed herewith:

- (4)-1 Conformed Thirteenth Supplemental Indenture of Wisconsin Natural, dated January 1, 1994 (to reflect the conveyance of properties acquired by merger with Wisconsin Southern Gas Company, Inc.).
- 2 Conformed Thirteenth Supplemental Indenture, dated January 1, 1994, to Indenture dated September 1, 1950 of Wisconsin Southern Gas Company, Inc. (to reflect the assumption of bonds by Wisconsin Natural in connection with merger).

WISCONSIN NATURAL GAS COMPANY

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS (Cont'd)

(23)-1 Consent of Arthur Andersen & Co.

(99)-1 News Release dated January 3, 1994.

2 FINANCIAL STATEMENTS:

(a) Audited Financial Statements of Wisconsin Southern Gas Company, Inc.

Report of Independent Public Accountants

Statements of Income for the Years Ended December 31, 1992, 1991 and 1990

Balance Sheets at December 31, 1992 and 1991

Statements of Cash Flows for the Years Ended December 31, 1992, 1991 and 1990

Statements of Common Shareholders' Equity for the Years Ended December 31, 1992, 1991 and 1990

Notes to Financial Statements

(b) Unaudited Interim Financial Statements of Wisconsin Southern Gas Company, Inc.

Statements of Income for the Three and Nine Months Ended September 30, 1993 and 1992

Balance Sheets at September 30, 1993 and December 31, 1992

Statements of Cash Flows for the Nine Months Ended September 30, 1993 and 1992

Notes to Financial Data

The following exhibits are incorporated herein by reference:

(2)-1 Agreement and Plan of Reorganization, dated as of July 30, 1993, by and among Wisconsin Energy Corporation, Wisconsin Natural Gas Company and Wisconsin Southern Gas Company, Inc., including the related Plan and Agreement of Merger between Wisconsin Natural and Wisconsin Southern. (Incorporated herein by reference to Appendix A to the Proxy Statement/Prospectus dated October 20, 1993 contained in the Registration Statement of Wisconsin Energy Corporation on Form S-4, No. 33-50653.)

WISCONSIN NATURAL GAS COMPANY

The following pro forma income statements are based on the individual historical statements of income of Wisconsin Natural and Wisconsin Southern, and combine the results of operations of Wisconsin Natural and of Wisconsin Southern for the twelve months ended September 30, 1993 and the years ended December 31, 1992, December 31, 1991 and December 31, 1990, as if the transaction occurred at the beginning of each period.

<TABLE>

PRO FORMA FINANCIAL INFORMATION

(Unaudited)

<CAPTION>

Condensed Income Statement for the Twelve Months Ended September 30, 1993

	Wisconsin Natural As Reported	Wisconsin Southern As Reported	Wisconsin Natural Pro Forma
	-----	-----	-----
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
Operating Revenues	\$276,079	\$ 49,526	\$325,605
Operating Expenses			
Cost of gas sold	180,739	30,595	211,334
Other operation expenses	47,852	12,120	59,972
Maintenance	5,808	886	6,694
Depreciation	14,377	1,747	16,124
Income taxes	7,384	1,002	8,386
	-----	-----	-----
Total Operating Expenses	256,160	46,350	302,510
	-----	-----	-----
Operating Income	19,919	3,176	23,095
Other Income and Deductions	206	44	250
	-----	-----	-----
Income Before Interest Charges	20,125	3,220	23,345
Interest Charges	7,080	1,238	8,318
	-----	-----	-----
Net Income	\$ 13,045	\$ 1,982	\$ 15,027
	=====	=====	=====

Condensed Income Statement for the Year Ended December 31, 1992

Operating Revenues	\$239,991	\$ 43,708	\$283,699
Operating Expenses			
Cost of gas sold	151,548	26,399	177,947
Other operation expenses	42,865	11,237	54,102
Maintenance	6,018	826	6,844
Depreciation	13,746	1,654	15,400

Income taxes	6,911	786	7,697
	-----	-----	-----
Total Operating Expenses	221,088	40,902	261,990
	-----	-----	-----
Operating Income	18,903	2,806	21,709
Other Income and Deductions	311	64	375
	-----	-----	-----
Income Before Interest Charges	19,214	2,870	22,084
Interest Charges	6,594	1,281	7,875
	-----	-----	-----
Net Income	\$ 12,620	\$ 1,589	\$ 14,209
	=====	=====	=====

<FN>
NOTE: Earnings and Dividends per share of common stock are not applicable because all of Wisconsin Natural's common stock is owned by Wisconsin Energy Corporation.

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WISCONSIN NATURAL GAS COMPANY

<TABLE>

PRO FORMA FINANCIAL INFORMATION (Cont'd)

(Unaudited)

<CAPTION>

Condensed Income Statement for the Year Ended December 31, 1991

	Wisconsin Natural As Reported	Wisconsin Southern As Reported	Wisconsin Natural Pro Forma
	-----	-----	-----
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
Operating Revenues	\$233,120	\$ 40,684	\$273,804
Operating Expenses			
Cost of gas sold	148,386	24,912	173,298
Other operation expenses	41,326	10,941	52,267
Maintenance	6,055	790	6,845
Depreciation	12,699	1,556	14,255
Income taxes	6,375	448	6,823
	-----	-----	-----
Total Operating Expenses	214,841	38,647	253,488
	-----	-----	-----
Operating Income	18,279	2,037	20,316
Other Income and Deductions	458	135	593
	-----	-----	-----
Income Before Interest Charges	18,737	2,172	20,909
Interest Charges	6,642	1,354	7,996
	-----	-----	-----
Net Income	\$ 12,095	\$ 818	\$ 12,913
	=====	=====	=====

Condensed Income Statement for the Year Ended December 31, 1990

Operating Revenues	\$222,331	\$ 37,341	\$259,672
Operating Expenses			
Cost of gas sold	144,717	22,521	167,238
Other operation expenses	40,442	9,441	49,883
Maintenance	5,022	804	5,826
Depreciation	12,739	1,566	14,305
Income taxes	4,379	705	5,084
	-----	-----	-----
Total Operating Expenses	207,299	35,037	242,336
	-----	-----	-----
Operating Income	15,032	2,304	17,336
Other Income and Deductions	1,061	33	1,094
	-----	-----	-----
Income Before Interest Charges	16,093	2,337	18,430
Interest Charges	6,632	968	7,600
	-----	-----	-----
Net Income	\$ 9,461	\$ 1,369	\$ 10,830
	=====	=====	=====

<FN>
 NOTE: Earnings and Dividends per share of common stock are not applicable because all of Wisconsin Natural's common stock is owned by Wisconsin Energy Corporation.

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WISCONSIN NATURAL GAS COMPANY

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS (Cont'd)

The following pro forma balance sheets are based on the historical balance sheets of Wisconsin Natural and Wisconsin Southern, and combine the balances of Wisconsin Natural and of Wisconsin Southern as of September 30, 1993, December 31, 1992 and December 31, 1991.

WISCONSIN NATURAL GAS COMPANY

<TABLE>

PRO FORMA FINANCIAL INFORMATION (Cont'd)

(Unaudited)

<CAPTION>

Condensed Balance Sheet As of September 30, 1993

Wisconsin
Natural

Wisconsin
Southern

Wisconsin Natural

	As Reported	As Reported	Pro Forma
	-----	-----	-----
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
Assets			

Utility Plant			
Plant	\$385,909	\$ 49,742	\$435,651
Accumulated provision for depreciation	(175,931)	(25,327)	(201,258)
Gas stored underground - noncurrent	-	941	941
	-----	-----	-----
Net Utility Plant	209,978	25,356	235,334
Other Property and Investments	70	1,148	1,218
Current Assets			
Cash and cash equivalents	7,847	673	8,520
Accounts receivable	11,557	2,499	14,056
Accrued utility revenues	16,954	966	17,920
Materials, supplies and natural gas stored	46,560	5,052	51,612
Prepayments and other assets	2,194	1,687	3,881
	-----	-----	-----
Total Current Assets	85,112	10,877	95,989
Deferred Charges and Other Assets			
Accumulated deferred income taxes	11,532	-	11,532
Other	7,785	606	8,391
Deferred environmental costs	-	3,182	3,182
	-----	-----	-----
Total Deferred Charges and Other Assets	19,317	3,788	23,105
Total Assets	\$314,477	\$ 41,169	\$355,646
	=====	=====	=====
Capitalization and Liabilities			

Capitalization			
Common stock	\$ 59,500	\$ 11,515	\$ 71,015
Retained earnings	40,678	990	41,668
	-----	-----	-----
Total Common Stock Equity	100,178	12,505	112,683
Long-term debt	71,171	10,074	81,245
	-----	-----	-----
Total Capitalization	171,349	22,579	193,928
Current Liabilities			
Long-term debt due currently	1,200	669	1,869
Short-term debt	62,599	3,900	66,499
Accounts payable	23,120	3,850	26,970
Accrued liabilities	5,462	196	5,658
Other	1,850	2,594	4,444
	-----	-----	-----
Total Current Liabilities	94,231	11,209	105,440
Deferred Credits and Other Liabilities			
Accumulated deferred income taxes	28,442	228	28,670
Other	20,455	4,153	24,608
Accrued environmental costs	-	3,000	3,000
	-----	-----	-----
Total Deferred Credits and			

Other Liabilities	48,897	7,381	56,278
	-----	-----	-----
Total Capitalization and Liabilities	\$314,477	\$ 41,169	\$355,646
	=====	=====	=====

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</TABLE>

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WISCONSIN NATURAL GAS COMPANY

<TABLE>

PRO FORMA FINANCIAL INFORMATION (Cont'd)

(Unaudited)

<CAPTION>

Condensed Balance Sheet As of December 31, 1992

	Wisconsin Natural As Reported	Wisconsin Southern As Reported	Wisconsin Natural Pro Forma
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
Assets			

Utility Plant			
Plant	\$372,956	\$ 48,117	\$421,073
Accumulated provision for depreciation	(165,920)	(23,974)	(189,894)
Gas stored underground - noncurrent	-	941	941
	-----	-----	-----
Net Utility Plant	207,036	25,084	232,120
Other Property and Investments	71	1,151	1,222
Current Assets			
Cash and cash equivalents	6,470	432	6,902
Accounts receivable	20,644	6,085	26,729
Accrued utility revenues	32,407	3,757	36,164
Materials, supplies and natural gas stored	14,178	2,544	16,722
Prepayments and other assets	2,950	1,614	4,564
	-----	-----	-----
Total Current Assets	76,649	14,432	91,081
Deferred Charges and Other Assets			
Accumulated deferred income taxes	3,993	-	3,993
Other	5,903	531	6,434
Deferred environmental costs	-	3,171	3,171
	-----	-----	-----
Total Deferred Charges and Other Assets	9,896	3,702	13,598
	-----	-----	-----
Total Assets	\$293,652	\$ 44,369	\$338,021
	=====	=====	=====
Capitalization and Liabilities			

Capitalization			
Common stock	\$ 59,500	\$ 11,381	\$ 70,881

Retained earnings	41,214	1,199	42,413
	-----	-----	-----
Total Common Stock Equity	100,714	12,580	113,294
Long-term debt	74,059	10,743	84,802
	-----	-----	-----
Total Capitalization	174,773	23,323	198,096
Current Liabilities			
Long-term debt due currently	1,200	1,099	2,299
Short-term debt	43,583	4,900	48,483
Accounts payable	28,309	4,993	33,302
Accrued liabilities	6,012	1,109	7,121
Other	509	1,917	2,426
	-----	-----	-----
Total Current Liabilities	79,613	14,018	93,631
Deferred Credits and Other Liabilities			
Accumulated deferred income taxes	28,264	1,809	30,073
Other	11,002	2,219	13,221
Accrued environmental costs	-	3,000	3,000
	-----	-----	-----
Total Deferred Credits and Other Liabilities	39,266	7,028	46,294
	-----	-----	-----
Total Capitalization and Liabilities	\$293,652	\$ 44,369	\$338,021
	=====	=====	=====

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</TABLE>

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WISCONSIN NATURAL GAS COMPANY

<TABLE>

PRO FORMA FINANCIAL INFORMATION (Cont'd)

(Unaudited)

<CAPTION>

Condensed Balance Sheet As of December 31, 1991

	Wisconsin Natural As Reported	Wisconsin Southern As Reported	Wisconsin Natural Pro Forma
	-----	-----	-----
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
Assets			

Utility Plant			
Plant	\$353,087	\$ 45,795	\$398,882
Accumulated provision for depreciation	(154,739)	(22,613)	(177,352)
Gas stored underground - noncurrent	-	941	941
	-----	-----	-----
Net Utility Plant	198,348	24,123	222,471
Other Property and Investments	71	1,190	1,261
Current Assets			
Cash and cash equivalents	3,361	279	3,640
Accounts receivable	22,280	5,331	27,611

Accrued utility revenues	29,559	2,913	32,472
Materials, supplies and natural gas stored	11,117	2,262	13,379
Prepayments and other assets	2,864	1,020	3,884
	-----	-----	-----
Total Current Assets	69,181	11,805	80,986
Deferred Charges and Other Assets			
Accumulated deferred income taxes	2,546	-	2,546
Other	6,051	300	6,351
Deferred environmental costs	-	344	344
	-----	-----	-----
Total Deferred Charges and Other Assets	8,597	644	9,241
	-----	-----	-----
Total Assets	\$276,197	\$ 37,762	\$313,959
	=====	=====	=====

Capitalization and Liabilities

Capitalization			
Common stock	\$ 59,500	\$ 11,116	\$ 70,616
Retained earnings	37,081	884	37,965
	-----	-----	-----
Total Common Stock Equity	96,581	12,000	108,581
Long-term debt	48,603	11,842	60,445
	-----	-----	-----
Total Capitalization	145,184	23,842	169,026
Current Liabilities			
Long-term debt due currently	8,957	1,675	10,632
Short-term debt	48,423	1,800	50,223
Accounts payable	23,250	3,599	26,849
Accrued liabilities	8,741	1,093	9,834
Other	927	2,334	3,261
	-----	-----	-----
Total Current Liabilities	90,298	10,501	100,799
Deferred Credits and Other Liabilities			
Accumulated deferred income taxes	26,920	1,699	28,619
Other	13,795	1,420	15,215
Accrued environmental costs	-	300	300
	-----	-----	-----
Total Deferred Credits and Other Liabilities	40,715	3,419	44,134
	-----	-----	-----
Total Capitalization and Liabilities	\$276,197	\$ 37,762	\$313,959
	=====	=====	=====

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WISCONSIN NATURAL GAS COMPANY

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WISCONSIN NATURAL GAS COMPANY

(Registrant)

/s/J. G. Rummel

J. G. Rummel, Vice President - Finance

Date: January 3, 1994

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WISCONSIN NATURAL GAS COMPANY

EXHIBIT INDEX

Current Report on Form 8-K
Report Dated January 1, 1994

Exhibit

Number

- - - - -

- (4)-1 Conformed Thirteenth Supplemental Indenture of Wisconsin Natural, dated January 1, 1994 (to reflect the conveyance of properties acquired by merger with Wisconsin Southern Gas Company, Inc.).
- 2 Conformed Thirteenth Supplemental Indenture (to Indenture dated September 1, 1950 of Wisconsin Southern Gas Company, Inc.) dated January 1, 1994 (to reflect the assumption of bonds by Wisconsin Natural in connection with merger).
- (23)-1 Consent of Arthur Andersen & Co.
- (99)-1 News release dated January 3, 1994.

2 FINANCIAL STATEMENTS:

- (a) Audited Financial Statements of Wisconsin Southern Gas Company, Inc.

Report of Independent Public Accountants

Statements of Income for the Years Ended December 31, 1992, 1991 and 1990

Balance Sheets at December 31, 1992 and 1991

Statements of Cash Flows for the Years Ended December 31, 1992, 1991 and 1990

Statements of Common Shareholders' Equity for the Years Ended December 31, 1992, 1991 and 1990

Notes to Financial Statements

- (b) Unaudited Interim Financial Statements of Wisconsin Southern Gas Company, Inc.

Statements of Income for the Three and Nine Months Ended September 30, 1993 and 1992

Balance Sheets at September 30, 1993 and December 31, 1992

Statements of Cash Flows for the Nine Months Ended September 30, 1993 and 1992

Notes to Financial Data

CONFORMED

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WISCONSIN NATURAL GAS COMPANY

TO

FIRSTAR TRUST COMPANY
(formerly First Wisconsin Trust Company)
As Trustee

THIRTEENTH SUPPLEMENTAL INDENTURE

DATED JANUARY 1, 1994

Conveyance of Properties Acquired by
Merger with Wisconsin Southern Gas Company, Inc.

=====

WISCONSIN NATURAL GAS COMPANY
Thirteenth Supplemental Indenture dated January 1, 1994

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*Note: The Table of Contents is not part of the Supplemental Indenture and should not be considered as such. It is included herein only for purposes of convenience.

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SCHEDULE B.

Information Relating to the Recording in Certain Counties of the
Wisconsin Natural Gas Company Original Indenture and First through
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SUPPLEMENTAL INDENTURE, dated the first day of January, 1994, made by and between WISCONSIN NATURAL GAS COMPANY, a corporation organized and existing under the laws of the State of Wisconsin (hereinafter called the "Company"), party of the first part, and FIRSTAR TRUST COMPANY, formerly First Wisconsin Trust Company, a corporation organized and existing under the laws of the State of Wisconsin (hereinafter called the "Trustee"), as Trustee under the Mortgage and Deed of Trust dated June 1, 1950, hereinafter mentioned, party of the second part;

WHEREAS, the Company has heretofore executed and delivered to the Trustee its Mortgage and Deed of Trust dated June 1, 1950, as amended September 1, 1957, September 15, 1986, January 15, 1992 and November 1, 1992, (said Mortgage and Deed of Trust, as so amended, being hereinafter sometimes referred to as the "Original Indenture" and, together with all supplemental indentures thereto, being sometimes referred to herein collectively as the "Indenture"), to secure the payment of the principal of and the interest and premium, if any, on all Bonds at any time issued and outstanding thereunder, and to declare the terms and conditions upon which Bonds are to be issued thereunder; and indentures supplemental thereto dated June 1, 1950, October 15, 1955, September 1, 1957, October 15, 1961, November 1, 1962, October 1, 1965, September 15, 1967, September 15, 1969, July 1, 1971, September 15, 1986, January 15, 1992 and November 1, 1992, respectively, have heretofore been entered into between the Company and the Trustee; and

WHEREAS, prior to the date hereof, Bonds have been issued by the Company under said Mortgage and Deed of Trust and said indentures supplemental thereto as follows:

- (1) \$3,500,000 principal amount of First Mortgage Bonds, 2 7/8% Series due 1975, which are described in the First Supplemental Indenture dated June 1, 1950, all of which have been retired for sinking fund purposes or paid at maturity prior to the date of execution hereof;
- (2) \$2,500,000 principal amount of First Mortgage Bonds, 3 3/8% Series due 1980, which are described in the Second Supplemental Indenture dated October 15, 1955, all of which have been retired for sinking fund purposes or paid at maturity prior to the date of execution hereof;
- (3) \$2,500,000 principal amount of First Mortgage Bonds, 5 1/2% Series due 1982, which are described in the Third Supplemental Indenture dated September 1, 1957, all of which have been retired for sinking fund purposes or redeemed prior to the date of execution hereof;

- (4) \$4,000,000 principal amount of First Mortgage Bonds, 4 3/4% Series due 1986, which are described in the Fourth Supplemental Indenture dated October 15, 1961, all of which have been retired for sinking fund purposes or paid at maturity prior to the date of execution hereof;
- (5) \$5,000,000 principal amount of First Mortgage Bonds, 4 3/8% Series due 1987, which are described in the Fifth Supplemental Indenture dated November 1, 1962, all of which have been retired for sinking fund purposes or paid at maturity prior to the date of execution hereof;
- (6) \$8,000,000 principal amount of First Mortgage Bonds, 4 7/8% Series due 1990, which are described in the Sixth Supplemental Indenture dated October 1, 1965, all of which have been retired for sinking fund purposes or paid at maturity prior to the date of execution hereof;
- (7) \$10,000,000 principal amount of First Mortgage Bonds, 6 3/8% Series due 1992, which are described in the Seventh Supplemental Indenture dated September 15, 1967, all of which have been retired for sinking fund purposes or paid at maturity prior to the date of execution hereof;
- (8) \$10,000,000 principal amount of First Mortgage Bonds, 8 3/4% Series due 1994, which are described in the Eighth Supplemental Indenture dated September 15, 1969, all of which have been retired for sinking fund purposes or redeemed prior to the date of execution hereof;
- (9) \$10,000,000 principal amount of First Mortgage Bonds, 8 3/8% Series due 1996, which are described in the Ninth Supplemental Indenture dated July 1, 1971, all of which have been retired for sinking fund purposes or redeemed prior to the date of execution hereof;
- (10) \$30,000,000 principal amount of First Mortgage Bonds, 9 1/4% Series due 2016, which are described in the Tenth Supplemental Indenture dated September 15, 1986, of which \$3,000,000 principal amount remain outstanding at the date of execution hereof;
- (11) \$10,000,000 principal amount of First Mortgage Bonds, 5 5/8% Series due January 15, 1995, which are described in the Eleventh Supplemental Indenture dated January 15, 1992, all of which remain outstanding at the date of execution hereof;
- (12) \$10,000,000 principal amount of First Mortgage Bonds, 6 5/8% Series due January 15, 1997, which are described in the Eleventh Supplemental Indenture dated January 15, 1992, all of which remain outstanding at the date of execution hereof;

and

WHEREAS, the Original Indenture provides, in Section 14.01 thereof, that the Company, when authorized by resolution of its Board of Directors, and the Trustee may enter into indentures supplemental to the Original Indenture to convey, transfer and assign to the Trustee and to subject to the lien of the Original Indenture additional properties acquired by the Company through merger; and to add, to the covenants and agreements of the Company contained in the Original Indenture, other covenants and agreements thereafter to be observed; and

WHEREAS, the Company, in the exercise of the powers and authority conferred upon and reserved to it under the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee a supplemental indenture in the form hereof for the purposes herein provided; and

WHEREAS, all conditions and requirements necessary to make this Supplemental Indenture a valid, binding and legal instrument have been done, performed and fulfilled and the execution and delivery hereof have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Company, in consideration of the premises and of the mutual covenants herein contained and the acceptance by the Trustee of the trusts created hereby and of the sum of One Dollar to it duly paid by the Trustee at or before the time of the execution of this Supplemental Indenture, and for other valuable considerations, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of and interest (and premium, if any) on all Bonds at any time issued and outstanding under the Original Indenture and all indentures supplemental thereto according to their tenor and effect and the performance and observance of all the covenants and conditions in the Bonds and Indenture contained, has executed and delivered this Supplemental Indenture and has granted, bargained, sold, warranted, aliened, remised, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed and by these presents does grant, bargain, sell, warrant, alien, remise, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto Firststar Trust Company, as Trustee, and to its successors and assigns forever, all and singular the properties described in Schedule A to this Supplemental Indenture (in addition to all other properties heretofore specifically subjected to the lien of the Indenture and not heretofore released from the lien thereof);

TO HAVE AND TO HOLD all said properties, real, personal and mixed, mortgaged, pledged and conveyed by the Company as aforesaid, or intended so to be, unto the Trustee and its successors and assigns forever;

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SUBJECT, HOWEVER, to the exceptions and reservations and matters recited in the Indenture and in Schedule A to this Supplemental Indenture (including without limitation the prior lien of the Indenture dated September 1, 1950, as amended and supplemented, referred to in Part II of such Schedule A, insofar as concerns the properties specifically described in such Part II as subject to such prior lien and any other properties subject thereto), to existing leases, to existing mortgages or other liens upon easements or rights-of-way for pipe line, transmission line or distribution line purposes, as defined in Article I of the Indenture, and any extensions thereof, and subject to existing easements for streets, alleys, highways, rights-of-way and railroad purposes over, upon and across certain of the property described in Schedule A to this Supplemental Indenture, and subject also to all the terms, conditions, agreements, covenants, exceptions and reservations, expressed or provided in the deeds or other instruments respectively under and by virtue of which Company acquired the properties described in Schedule A to this Supplemental Indenture, and to undetermined liens and charges, if any, incidental to construction or other existing permitted liens as defined in Article I of the Original Indenture;

IN TRUST, NEVERTHELESS, upon the terms and trusts in the Original Indenture and the indentures supplemental thereto, including this Supplemental Indenture, set forth, for the equal and proportionate benefit and security of all present and future holders of the Bonds and coupons issued and to be issued thereunder, or any of them, without preference of any of said Bonds and coupons of any particular series over the Bonds and coupons of any other series, by reason of priority in the time of the issue, sale or negotiation thereof, or by reason of the purpose of issue or otherwise howsoever, except as otherwise provided in Section 4.02 of the Original Indenture.

PROVIDED, HOWEVER, and these presents are upon the condition that if the Company, its successors or assigns shall pay or cause to be paid unto the holders of the Bonds the principal and interest (and premium, if any) to become due in respect thereof at the times and in the manner stipulated therein and in the Indenture, and shall keep, perform and observe all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by or on the part of the Company, then this Supplemental Indenture and the estate and rights hereby granted shall cease, determine and be void, otherwise to remain in full force and effect;

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, by and between the parties hereto, for the benefit of those who shall hold the Bonds, or any of them, to be issued under the Indenture, as follows:

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ARTICLE I.
COVENANT OF TITLE.

The Company hereby covenants, warrants and agrees that it is lawfully seized and possessed of all of the mortgaged property described in Schedule A to this Supplemental Indenture; that it has good right and lawful authority to mortgage the same as provided in this Supplemental Indenture; and that such mortgaged property is free and clear of any deed of trust, mortgage, lien, charge or encumbrance thereon or affecting the title thereto prior to the Indenture, except as set forth in the granting clauses of the Indenture or this Supplemental Indenture.

ARTICLE II.
EFFECT OF TRUST INDENTURE REFORM ACT OF 1990.

The Trust Indenture Reform Act of 1990 has, by operation of law, effective November 15, 1990, amended the Original Indenture to conform to the provisions of Sections 310 through 317 of the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, in accordance with Section 318(c) of the Trust Indenture Act of 1939 added by the Trust Indenture Reform Act of 1990. The text of the Original Indenture has not been physically changed to reflect such amendment.

ARTICLE III.
THE TRUSTEE.

The Trustee hereby accepts the trusts hereby declared and provided, and agrees to perform the same upon the terms and conditions in the Original Indenture and in this Supplemental Indenture set forth, and upon the following terms and conditions.

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely.

ARTICLE IV.

MISCELLANEOUS PROVISIONS.

Schedule B to this Supplemental Indenture sets forth certain information relating to the recording of copies of the Original Indenture and all indentures supplemental thereto prior to this Supplemental Indenture in counties in the State of Wisconsin in which are located properties acquired by the Company from Wisconsin Southern Gas Company, Inc. in the merger effective on January 1, 1994 referred to in Part II of Schedule A to this Supplemental Indenture.

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All terms contained in this Supplemental Indenture and not defined herein shall, for all purposes hereof, have the meanings given to such terms in Article I of the Original Indenture.

Although the actual date of execution of this Supplemental Indenture by the Company and by the Trustee is as indicated by their respective acknowledgements hereto annexed, the granting clause and the covenant of title of the Company herein, and Schedule A hereto, shall become effective at 12:01 a.m., Central Standard Time, on and as of January 1, 1994.

This Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, said Wisconsin Natural Gas Company has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by its Secretary or one of its Assistant Secretaries; and said Firststar Trust Company, in evidence of its acceptance of the trusts hereby created, has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents, and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by its Secretary or one of its Assistant Secretaries; all as of the first day of January, One thousand nine hundred and ninety-four.

\s\ J. G. REMMEL

By _____

J. G. Remmel
Vice President

(CORPORATE SEAL)

Attested:

\s\ ANN MARIE BRADY

Ann Marie Brady
Secretary

Signed, sealed and delivered by
WISCONSIN NATURAL GAS
COMPANY in the presence of:

\s\ K. A. KUSSEROW

K. A. Kusserow

\s\ J. R. LUETTGEN

J. R. Luetgen
As Witnesses

FIRSTAR TRUST COMPANY

\s\ JOSEPH S. QUINN

By _____

Joseph S. Quinn
Vice President

(CORPORATE SEAL)

Attested:

\s\ PAMELA WARNER

Pamela Warner
Assistant Secretary

Signed, sealed and delivered by
FIRSTAR TRUST COMPANY
in the presence of:

\s\ K. STICK

K. Stick

\s\ AMY LORENZ

Amy Lorenz
As Witnesses

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STATE OF WISCONSIN,)
COUNTY OF MILWAUKEE.) SS.:

On this 16th day of December, 1993, before me personally appeared J. G. REMMEL and ANN MARIE BRADY, to me personally known, who being by me severally duly sworn, did say: that J. G. REMMEL is a Vice President and ANN MARIE BRADY is Secretary of WISCONSIN NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and said J. G. REMMEL and ANN MARIE BRADY severally acknowledged said instrument to be the free act and deed of said corporation.

\s\ MARGARET M. PEARSON

Margaret M. Pearson

Notary Public
State of Wisconsin
My Commission expires March 19, 1995

STATE OF WISCONSIN,)
COUNTY OF MILWAUKEE.) SS.:

On this 16th day of December, 1993, before me personally appeared JOSEPH S. QUINN and PAMELA WARNER, to me personally known, who being by me severally duly sworn, did say: that JOSEPH S. QUINN is a Vice President and PAMELA WARNER is an Assistant Secretary of FIRSTAR TRUST COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and said JOSEPH S. QUINN and PAMELA WARNER severally acknowledged said instrument to be the free act and deed of said corporation.

\s\ WILLIAM R. CARUSO

William R. Caruso

Notary Public

State of Wisconsin

My Commission expires February 2, 1997

[Seal of Notary Public]

This instrument was drafted by James D. Zakrajshcek and Bruce C. Davidson on behalf of Wisconsin Natural Gas Company.

SCHEDULE A

PART I--PROPERTIES ACQUIRED OR CONSTRUCTED BY WISCONSIN NATURAL GAS COMPANY, OTHER THAN THOSE REFERRED TO IN PART II BELOW.

PARCELS OF REAL ESTATE

The following described parcels of real estate, all of which are located in the State of Wisconsin in the respective counties hereinafter specified:

JEFFERSON COUNTY

1. CONCORD REGULATOR AND METERING STATION:

Pt. of the Southwest 1/4 of Section 11, Township 8 North, Range 15 East, Town of Watertown, Jefferson County, Wisconsin, being described as follows:

Commencing at the intersection of C.T.H. "E" and the south line of said SW 1/4; thence N. 89 degrees 49'46"E., 290' along said south line, thence north, 105' +/- to a chain link fence corner and the point of beginning; thence continuing north along said fence, 100'; thence east 100' to the west line of a service road; thence south along said west line, 100' to a chain link fence, thence west along said fence, 100' to the P.O.B. containing 0.23 acres of leased land.

OUTAGAMIE COUNTY

2. CNG COMPRESSOR STATION:

Pt. of the Northeast 1/4 of Section 33, Township 21 North, Range 17 East, City of Appleton, Outagamie County, Wisconsin, more particularly described as follows:

Commencing at the N 1/4 corner of said NE 1/4; thence east, 618' along the C/L of W. Spencer Street; thence south, 342' to the point of beginning; thence continuing south, 125'; thence west, 54'; thence north, 125'; thence east, 54' to the P.O.B. containing 0.15 acres.

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WINNEBAGO COUNTY

3. MENASHA GATE STATION:

Pt. of the Northeast 1/4 of Section 9, Township 20 North, Range 17 East, Town of Menasha, Winnebago County, being described as follows:

MAJOR GAS DISTRIBUTION SYSTEM MAINS

The following described major gas distribution system mains, all of which are located in the State of Wisconsin in the respective counties hereinafter specified:

LINE 204 MEADE STREET 6-INCH LINE

Beginning 240 feet east of the intersection of Meade Street and Mackville Road in the Northwest 1/4 of S. 36 - T. 22 N. - R. 17 E., T/Center, Outagamie County; thence easterly in Mackville Road to its intersection with C.T.H. "EE" at the N.E. corner of said Section 36. Said point being labeled Point A. Thence north from said Point A and in the right-of-way of C.T.H. "EE" to the S. R/W line of C.T.H. "O" at the N.W. corner of S. 30 - T. 22 N. - R. 18 E., T/Freedom, Outagamie County; also, continuing from said Point A 2,000 feet south in the right-of-way of C.T.H. "EE" in the N.W. 1/4 of S. 36 - T. 22 N. - R. 18 E. T/Grand Chute, Outagamie County.

LINE 205 CTH "E" 6-INCH LINE

Commencing at the intersection of C.T.H. "E" and Davies Road in the S.E. 1/4 S. 8, T. 6 N. - R. 18 E., V/Wales. Thence north in the R/W of Davies Road and S. Wales Road (S.T.H. "18") to a point approximately 950 feet north of the center line of C.T.H. "G" a/k/a Brandybrook Road in the N.W. 1/4 S. 9 - T. 6 N. - R. 18 E., T/Genesee, Waukesha County.

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LINE 206 NORTH STREET TO SPRING ROAD DRIVE 6-INCH LINE

Commencing at the intersection of North Street and Green Bay Road, also being the S.E. corner of the N.E. 1/4 S. 20 - T. 20 N. - R. 17 E., T/Menasha, Winnebago County; thence north in Green Bay Road to its intersection with C.T.H. "II" a/k/a S.T.H. "150" and the N.E. corner of said S. 20, thence west in S.T.H. "150" a/k/a Winchester Road to the west R/W line of Spring Road Drive

in the N.E. 1/4 of said S. 20.

LINE 207 CTH "11" TO HAASE STREET 6-INCH LINE

Commencing at the intersection of C.T.H. "II", a/k/a Winchester Road, and American Drive in the S.W. 1/4 S. 16 T. 20 N. - R. 17 E., T/Menasha, thence east in Winchester Road, a/k/a C.T.H. "II", to C.T.H. "PP", a/k/a N. Lake Street, thence northerly in C.T.H. "PP", a/k/a North Lake Street, to the N.R/W line of Haase Street, all being in the south one-half of said S. 16, T/Menasha, Winnebago County.

LINE 208 MACKVILLE ROAD 6-INCH LINE

Commencing at a point in the N.W. 1/4 S. 36, T. 22 N. - R. 17 E., which is 310 feet S. of Mackville Road and 6 feet west of the E. R/W line of N. Meade Street, thence south in Meade Street to a point which is 970 feet south of Valley View Lane and is in the S.W. 1/4 of said S. 36, T/Center, Outagamie County.

LINE 209 PAUL ROAD TO ROUNDY DRIVE 6-INCH LINE

Commencing at the intersection of C.T.H. "J" and Paul Road in the N.W. 1/4 S. 14, T. 7 N. - R. 19 E., T/Pewaukee, Waukesha County; thence east in Paul Road to its intersection with Roundy Drive in the N.E. 1/4 of said S. 14.

LINE 210 CTH "J" 6-INCH LINE

Commencing at the intersection of C.T.H. "M", a/k/a Watertown Road, and C.T.H. "J" in the S.W. 1/4 of S. 14, T. 7 N. - R. 19 E., T/Pewaukee, Waukesha County, thence southeasterly in C.T.H. "M", a/k/a Watertown Road, to a point approximately 900 feet southeasterly of the S. line of said S. 14 and in the N.E. 1/4 of S. 23, T. 7 N. - R. 19 E., T/Pewaukee, Waukesha County.

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LINE 211 WNGCO REGULATOR STATION TO WN METERING STATION 20-INCH LINE

Beginning at the Wisconsin Natural Gas Company regulator station in the S.E. 1/4 of S. 6, T. 7 N. - R. 17 E., T/Summit, Waukesha County and on the south side of the Oconomowoc River and the west side of C.T.H. "BB", thence north along the east line of said S. 6, to the south line of River Highlands Subdivision, thence west and north on easement along the south and west lines of said

River Highlands Subdivision and the Orchards of Oconomowoc Subdivision to the center of said S. 6, thence northwesterly on easement to a point approximately 1,000 feet west of the N. 1/4 of said S. 6, thence continuing northwesterly on easement through the west 1/2 of S. 31, T. 8 N. - R. 17 E., T/Oconomowoc to the WE R/W in the N.W. 1/4 of said S. 31, thence northwesterly in the WE R/W through S. 31 - T/Oconomowoc, Waukesha County, and through S. 36 and S. 35 to its intersection with Rockvale Road in the N.E. 1/4 S. 35, T. 8 N. - R. 19 E., T/Ixonia, Jefferson County, thence west in Rockvale Road along the north line of S. 35, S. 34, and S. 33, all in the T/Ixonia, to where Rockvale Road leaves the north section line of said S. 33, thence west on easement along the north line of S. 33 and S. 32 to the intersection of the north line of S. 32 and C.T.H. "E", all in T/Ixonia, thence north and northwesterly in C.T.H. "E" through S. 32, S. 29, S. 30, and S. 19, all in T. 8 N. - R. 16 E., T/Ixonia, Jefferson County, thence continuing in C.T.H. "E" in the N.E. 1/4 of S. 24 T. 8 N. - R. 15 T/Watertown, Jefferson County, westerly and northwesterly through S. 24, S. 23, and S. 14, to the WE R/W in the N.W. 1/4 of said S. 14, thence northeasterly to a point approximately 100 feet north of the south line of S. 11, T. 8 N. - R. 15 E., T/Watertown; said point being the south fence line of a WN metering station in the S.W. 1/4 of said S. 11 and the point of termination.

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PART II--PROPERTIES ACQUIRED BY WISCONSIN NATURAL GAS COMPANY IN THE MERGER OF WISCONSIN SOUTHERN GAS COMPANY, INC. INTO IT EFFECTIVE ON JANUARY 1, 1994.

All of the properties specifically described in the granting clauses of the Indenture dated September 1, 1950, between Wisconsin Southern Gas Company (the corporate predecessor to Wisconsin Southern Gas Company, Inc.) and Harris Trust and Savings Bank and F. O. Mann (the predecessor to J. Bartolini), Trustees, and of the Supplemental Indentures thereto listed below;

PROVIDED, HOWEVER, that there are excluded from the such properties:

- (a) The properties described in the release documents listed below; and
- (b) Any other properties which have been abandoned, sold or otherwise disposed of by Wisconsin Southern Gas Company, Inc., as permitted in Article VIII of such Indenture dated September 1, 1950, as amended and supplemented;

and

PROVIDED, FURTHER, that all such properties, not so excluded, are subject to the prior lien of such Indenture dated September 1, 1950, as amended and supplemented (as well as to the other matters set forth or referred to in the granting clauses referred to above in this Part II and in the granting clauses of the Supplemental Indenture to which this Schedule A is attached).

The Indenture dated September 1, 1950 referred to above in this Part II, and the Supplemental Indentures thereto referred to above in this Part II as listed herein (and which are so listed as follows), were recorded in the following counties (and with the Office of the Secretary of State where indicated), all in the State of Wisconsin:

INDENTURE DATED SEPTEMBER 1, 1950:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Kenosha	November 15, 1950	305	384	-	326249
Racine	November 16, 1950	488	503	-	567243
Rock	November 14, 1961	30	453	-	640825a
Walworth	November 16, 1950	271	417	-	430381

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FIRST SUPPLEMENTAL INDENTURE DATED AUGUST 18, 1955:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Kenosha	September 2, 1955	366	558	569	368601
Racine	September 7, 1955	575	001	012	636608
Rock	November 14, 1961	30	418	-	640822a
Walworth	September 7, 1955	332	423	434	474061

SECOND SUPPLEMENTAL INDENTURE DATED OCTOBER 1, 1956:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Kenosha	October 29, 1956	384	058	070	379796
Racine	October 29, 1956	604	117	129	654963
Rock	November 14, 1961	30	426	-	640823a
Walworth	October 29, 1956	346	297	310	485334

THIRD SUPPLEMENTAL INDENTURE DATED OCTOBER 1, 1958:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Kenosha	October 28, 1958	496	308	319	398023
Racine	October 28, 1958	640	670	682	681476
Rock	November 14, 1961	30	440	-	640824a
Walworth	October 28, 1958	371	46	58	504550

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FOURTH SUPPLEMENTAL INDENTURE DATED NOVEMBER 1, 1961:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Kenosha	November 21, 1961	594	612	624	433184
Racine	November 21, 1961	723	1	-	729229
Rock	November 21, 1961	31	311	-	641083
Walworth	November 21, 1961	406	41	-	534644

FIFTH SUPPLEMENTAL INDENTURE DATED DECEMBER 1, 1963:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Kenosha	December 3, 1963	655	459	472	457127
Racine	December 3, 1963	803	523	265	762221
Rock	December 4, 1963	106	360	374	667650
Walworth	December 3, 1963	432	659	672	555262

SIXTH SUPPLEMENTAL INDENTURE DATED FEBRUARY 1, 1967:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	February 7, 1967	235	290	-	167241
Kenosha	February 7, 1967	746	367	381	492187
Racine	February 7, 1967	934	581	595	818148
Rock	February 7, 1967	236	412	-	712869
Walworth	February 6, 1967	473	41	-	588961

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SEVENTH SUPPLEMENTAL INDENTURE DATED APRIL 1, 1970:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	April 28, 1970	254	217	-	173977
Kenosha	April 27, 1970	821	534	-	521713
Racine	April 27, 1970	1049	553	-	867036
Rock	April 27, 1970	354	603	-	754545
Walworth	April 27, 1970	26	197	-	623354

EIGHTH SUPPLEMENTAL INDENTURE DATED JANUARY 1, 1973:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	January 24, 1973	277	86	-	180057
Kenosha	January 23, 1973	891	852	869	555884
Racine	January 23, 1973	1165	568	578	914907
Rock	January 22, 1973	462	-	-	794203
Walworth	January 22, 1973	85	611	-	659941

NINTH SUPPLEMENTAL INDENTURE DATED AUGUST 1, 1975:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	August 21, 1975	301	72	95	185543
Kenosha	August 20, 1975	944	885	908	589687
Racine	August 22, 1975	1278	419	442	961521
Rock	August 20, 1975	562	418	441	833226
Walworth	August 20, 1975	141	613	636	695305

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TENTH SUPPLEMENTAL INDENTURE DATED JANUARY 1, 1983:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	January 31, 1983	395	321	344	207036
Kenosha	February 1, 1983	1126	451	474	698746
Racine	February 1, 1983	1667	52	75	1119002
Rock	February 1, 1983	125	748	772	963182
Walworth	February 1, 1983	296	897	920	86257
Waukesha	February 1, 1983	526	863	886	1203187

ELEVENTH SUPPLEMENTAL INDENTURE DATED JANUARY 1, 1988:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	January 22, 1988	454	303	315	221755
Kenosha	January 21, 1988	1300	51	63	794760
Racine	January 21, 1988	1899	265	277	1248593
Rock	January 21, 1988	337	213	225	1065338
Walworth	January 21, 1988 RE	421	149	-	157972
	January 21, 1988 Chattel				424706

TWELFTH SUPPLEMENTAL INDENTURE DATED FEBRUARY 1, 1991:

County	Date Recorded	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	March 4, 1991	494	236	250	231077
Kenosha	March 5, 1991	1431	392	406	860902
Racine	March 5, 1991	2056	635	649	1332924
Rock	March 4, 1991	468	622	637	1128365
Walworth	March 4, 1991 RE	512	759	773	207606
	March 4, 1991 Chattel				433705
Secretary of State	March 1, 1991				1183930

The release documents, referred to above as listed herein (and which are so listed as follows) were recorded in the following counties, all in the State of Wisconsin:

COUNTY

DATE RECORDED

Walworth	August 7, 1951
Walworth	October 3, 1952
Walworth	June __, 1954
Walworth	August 9, 1960
Walworth	February 20, 1967
Racine	May 1, 1973

The specific references in Parts I and II of this Schedule A to certain properties as mortgaged under the Mortgage and Deed of Trust dated June 1, 1950, as amended and supplemented, shall not be deemed to exclude any other properties not specifically referred to therein but mortgaged pursuant to the terms of such Mortgage and Deed of Trust.

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SCHEDULE B

INFORMATION RELATING TO THE RECORDING IN CERTAIN COUNTIES OF THE ORIGINAL INDENTURE AND FIRST THROUGH TWELFTH SUPPLEMENTAL INDENTURES.

Copies of the Mortgage and Deed of Trust dated June 1, 1950, and the First through Twelfth Supplemental Indentures thereto, between Wisconsin Natural Gas Company and Firststar Trust Company (formerly First Wisconsin Trust Company), Trustee, were recorded (among other places) in the Office of the Register of Deeds in each of the counties, in the State of Wisconsin, in which are located properties acquired by Wisconsin Natural Gas Company from Wisconsin Southern Gas Company, Inc. in the merger effective on January 1, 1994, as follows:

MORTGAGE AND DEED OF TRUST DATED JUNE 1, 1950:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V540	113	343	241086
Kenosha	June 9, 1950	1:16PM	299	1	117	321629
Racine	June 9, 1950	1:01PM	479	277	392	560476
Rock	October 6, 1955	10:50AM	434	151	267	568952
Walworth	June 9, 1950	1:06PM	272	111	-	425735

FIRST SUPPLEMENTAL INDENTURE DATED JUNE 1, 1950:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V540	344	381	241087
Kenosha	June 9, 1950	1:17PM	299	118	138	321630
Racine	June 9, 1950	1:02PM	479	393	412	560477
Rock	October 6, 1955	10:50AM	434	268	288	568953
Walworth	June 9, 1950	1:07PM	272	229	-	425736

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SECOND SUPPLEMENTAL INDENTURE DATED OCTOBER 15, 1955:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V540	382	417	241088
Kenosha	October 26, 1955	12:45PM	369	205	225	370184
Racine	October 26, 1955	1:00PM	578	321	341	638913
Rock	October 26, 1955	1:30PM	435	299	319	569737
Walworth	October 26, 1955	2:25PM	334	395	416	475650

THIRD SUPPLEMENTAL INDENTURE DATED SEPTEMBER 1, 1957:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	1	34	241089
Kenosha	September 17, 1957	2:30PM	465	151	169	387454
Racine	September 17, 1957	1:50PM	614	450	466	666545

Rock	September 17, 1957	1:05PM	470	414	432	591868
Walworth	September 17, 1957	2:45PM	356	351	370	493741

FOURTH SUPPLEMENTAL INDENTURE DATED OCTOBER 15, 1961:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	35	69	241090
Kenosha	October 19, 1991	1:40PM	592	182	200	432185
Racine	October 19, 1991	1:05PM	719	145	164	727844
Rock	October 19, 1991	1:50PM	28	307	325	640047
Walworth	October 19, 1991	1:45PM	405	418	437	533752

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FIFTH SUPPLEMENTAL INDENTURE DATED NOVEMBER 1, 1962:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	70	101	241091
Kenosha	November 1, 1962	2:50PM	621	500	517	443732
Racine	November 1, 1962	2:15PM	759	451	467	743444
Rock	November 1, 1962	2:50PM	64	16	33	652666
Walworth	November 1, 1962	2:20PM	418	37	56	543973

SIXTH SUPPLEMENTAL INDENTURE DATED OCTOBER 1, 1965:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	102	139	241092

Kenosha	October 8, 1965	8:05AM	713	235	255	479326
Racine	October 8, 1965	8:00AM	881	157	177	796009
Rock	October 8, 1965	8:00AM	184	118	138	694733
Walworth	October 8, 1965	8:00AM	456	573	593	574952

SEVENTH SUPPLEMENTAL INDENTURE DATED SEPTEMBER 15, 1967:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	140	176	241093
Kenosha	September 14, 1967	8:35AM	760	415	434	497775
Racine	September 14, 1967	8:15AM	958	74	93	827939
Rock	September 14, 1967	8:00AM	259	504	523	721056
Walworth	September 14, 1967	8:00AM	480	453	473	595334

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EIGHTH SUPPLEMENTAL INDENTURE DATED SEPTEMBER 15, 1969:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	177	211	241094
Kenosha	September 12, 1969	9:40AM	807	594	614	516490
Racine	September 12, 1969	8:05AM	1030	105	124	858915
Rock	September 12, 1969	8:00AM	335	605	623	747782
Walworth	September 12, 1969	8:18AM	16	53	87	617511

NINTH SUPPLEMENTAL INDENTURE DATED JULY 1, 1971:

Card, Beginning Ending

County	Date Recorded	Time	Reel or Volume	Image or Page	Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	212	244	241095
Kenosha	June 28, 1971	10:00AM	850	356	387	533523
Racine	June 28, 1971	8:05AM	1093	543	560	884733
Rock	June 28, 1971	11:45AM	396	283	300	769121
Walworth	June 28, 1971	10:29AM	49	627	659	637411

TENTH SUPPLEMENTAL INDENTURE DATED SEPTEMBER 15, 1986:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	245	284	241096
Kenosha	September 15, 1986	9:16AM	1238	27	-	761936
Racine	September 15, 1986	8:25AM	1820	798	-	1205712
Rock	September 15, 1986	10:53AM	272	453	-	1034563
Walworth	September 15, 1986	9:41AM	379	28	-	134689

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ELEVENTH SUPPLEMENTAL INDENTURE DATED JANUARY 15, 1992:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	285	322	241097
Kenosha	January 23, 1992	8:42AM	V1483	259	296	884263
Racine	January 23, 1992	8:05AM	V2118	416	453	1362178
Rock	January 23, 1992	10:08AM	cd518	349	386	1150801
Walworth	January 23, 1992	8:53AM	V550	710	747	225596

TWELFTH SUPPLEMENTAL INDENTURE DATED NOVEMBER 1, 1992:

County	Date Recorded	Time	Card, Reel or Volume	Beginning Image or Page	Ending Image or Page	Document Number
Crawford	November 16, 1993	10:40AM	V541	323	333	241098
Kenosha	November 4, 1992	9:04AM	V1548	367	378	910683
Racine	November 4, 1992	8:05AM	V2199	858	869	1396042
Rock	November 4, 1992	10:49AM	cd583	I547	I558	1178473
Walworth	November 4, 1992	8:56AM	V596	505	516	245001

CONFORMED

THIRTEENTH SUPPLEMENTAL INDENTURE

WISCONSIN NATURAL GAS COMPANY

to

HARRIS TRUST AND SAVINGS BANK

and

J. BARTOLINI

As Trustees

Indenture dated September 1, 1950
Of Wisconsin Southern Gas Company, Inc.

Assumption of Bonds
by
Wisconsin Natural Gas Company
in connection with merger

DATED JANUARY 1, 1994

Thirteenth Supplemental Indenture Dated January 1, 1994

to

Indenture dated September 1, 1950
of Wisconsin Southern Gas Company, Inc.

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* NOTE: The Table of Contents is not part of the Supplemental Indenture and should not be considered as such. It is included herein only for purposes of convenience.

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SUPPLEMENTAL INDENTURE, dated the first day of January, Nineteen hundred and ninety-four (1994) made by and between WISCONSIN NATURAL GAS COMPANY, a corporation organized and existing under the laws of the State of Wisconsin (hereinafter called "Wisconsin Natural"), party of the first part, and HARRIS TRUST AND SAVINGS BANK, a banking corporation authorized to accept and administer trusts having its principal place of business in Chicago, Illinois, and J. BARTOLINI, as Trustees under the Indenture dated September 1, 1950, hereinafter mentioned, parties of the second part;

WHEREAS, WISCONSIN SOUTHERN GAS COMPANY, INC., a Wisconsin corporation ("Wisconsin Southern"), has heretofore executed and delivered to Harris Trust and Savings Bank, and J. Bartolini (the successor to F. O. Mann, R. H. Long and R. G. Mason), as Trustees, the Indenture dated September 1, 1950, from WISCONSIN SOUTHERN GAS COMPANY (corporate predecessor of WISCONSIN SOUTHERN GAS COMPANY, INC.) as amended by a supplemental indenture dated August 18, 1955 (by which Wisconsin Southern Gas Company, Inc. assumed all the obligations of its said predecessor) and by supplemental indentures dated as of October 1, 1956, October 1, 1958, November 1, 1961, December 1, 1963, February 1, 1967, April 1, 1970, January 1, 1973, August 1, 1975, January 1, 1983, January 1, 1988 and February 1, 1991 (said Indenture, as so amended, being hereinafter sometimes referred to as the "Original Indenture" and, together with all supplemental indentures thereto, being sometimes referred to herein collectively as the "Indenture"), to secure the payment of the principal of and the interest and premium, if any, on all Bonds at any time issued and outstanding thereunder, and to declare the terms and conditions upon which Bonds are to be issued thereunder; and the above-mentioned indentures supplemental thereto have heretofore been entered into between Wisconsin Southern and such Trustees; and

WHEREAS, Bonds have been issued by Wisconsin Southern under said Indenture and indentures supplemental thereto prior to the date hereof as follows:

(1) \$1,400,000 principal amount of First Mortgage Bonds, 3 3/8% Series A due September 1, 1975, which are described in the Indenture

dated September 1, 1950, all of which have been redeemed prior to the date of execution hereof;

(2) \$800,000 principal amount of First Mortgage Bonds, 4 1/2% Series B due October 1, 1981, which are described in the Supplemental Indenture dated October 1, 1956, all of which have been redeemed prior to the date of execution hereof;

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(3) \$500,000 principal amount of First Mortgage Bonds, 5% Series C due October 1, 1983, which are described in the Third Supplemental Indenture dated October 1, 1958, all of which have been redeemed prior to the date of execution hereof;

(4) \$850,000 principal amount of First Mortgage Bonds, 5 3/8% Series D due November 1, 1986, which are described in the Fourth Supplemental Indenture dated November 1, 1961, all of which have been redeemed prior to the date of execution hereof;

(5) \$1,200,000 principal amount of First Mortgage Bonds, 4.85% Series E due December 1, 1988, which are described in the Fifth Supplemental Indenture dated December 1, 1963, all of which have been redeemed prior to the date of execution hereof;

(6) \$1,500,000 principal amount of First Mortgage Bonds, 6.75% Series F due February 1, 1992, which are described in the Sixth Supplemental Indenture dated February 1, 1967, all of which have been redeemed prior to the date of execution hereof;

(7) \$1,300,000 principal amount of First Mortgage Bonds, 9 5/8% Series G due April 1, 1995, which are described in the Seventh Supplemental Indenture dated April 1, 1970, of which \$403,000 principal amount remain outstanding at the date of execution hereof;

(8) \$1,000,000 principal amount of First Mortgage Bonds, 8 3/8% Series H due January 1, 1993, which are described in the Eighth Supplemental Indenture dated January 1, 1973, all of which have been redeemed prior to the date of execution hereof;

(9) \$1,500,000 principal amount of First Mortgage Bonds, 11% Series I due August 1, 1995, which are described in the Ninth Supplemental Indenture dated August 1, 1975, of which \$480,000 principal amount remain outstanding at the date of execution hereof;

(10) \$2,500,000 principal amount of First Mortgage Bonds, 12 3/4%

Series J due January 1, 1995, which are described in the Tenth Supplemental Indenture dated January 1, 1983, all of which have been redeemed prior to the date of execution hereof;

(11) \$4,000,000 principal amount of First Mortgage Bonds, 10 1/4% Series K due January 15, 1998, which are described in the Eleventh Supplemental Indenture dated January 1, 1988, of which \$2,860,000 principal amount remain outstanding at the date of execution hereof;

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(12) \$7,000,000 principal amount of First Mortgage Bonds, 9.47% Series L due March 1, 2006, which are described in the Twelfth Supplemental Indenture dated February 1, 1991, all of which remain outstanding at the date of execution hereof;

and

WHEREAS, pursuant to Articles of Merger dated December 28, 1993, Wisconsin Southern is being merged into Wisconsin Natural, effective at 12:01 a.m., Central Standard Time, on January 1, 1994, with Wisconsin Natural as the successor corporation; and

WHEREAS, it is provided in Section 14.01 of the Original Indenture that, upon any merger of Wisconsin Southern into another corporation, the due and punctual payment of the principal and interest of all Bonds at the time outstanding according to their tenor and the due and punctual performance of all the covenants of the Indenture shall, by supplemental indenture be expressly assumed by the successor corporation resulting from such merger; and

WHEREAS, it is provided in Section 14.03 of the Original Indenture that a successor corporation resulting from a merger of Wisconsin Southern into another corporation shall possess, subject to the terms and conditions of the Original Indenture, and may from time to time exercise, each and every right and power of Wisconsin Southern, in the name of such successor corporation or otherwise; and

WHEREAS, Wisconsin Natural, pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustees a Supplemental Indenture in the form hereof for the purpose of complying with the above-mentioned provisions of Sections 14.01 and 14.03 of the Original Indenture; and

WHEREAS, all conditions and requirements necessary to make this Supplemental Indenture a valid, binding and legal instrument have been done, performed and fulfilled and the execution and delivery hereof have been in all

respects duly authorized;

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

That, in consideration of the premises and of the mutual covenants herein contained and of the sum of One Dollar duly paid by the Trustees to Wisconsin Natural at or before the time of the execution of this Supplemental Indenture, and of other valuable considerations, the receipt whereof is hereby acknowledged, Wisconsin Natural does hereby covenant, declare and agree to and with the Trustees, and their successors in trust, under the Indenture, for the benefit of those who shall hold the Bonds and related coupons, or any of them, issued or to be issued under the Indenture, as follows:

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ARTICLE I.
ASSUMPTION AND DECLARATION.

Wisconsin Natural hereby assumes, as of the effective time specified in Article III hereof, (a) the due and punctual payment of the principal of and interest on all Bonds outstanding under the Indenture at such time, according to their tenor, and (b) the due and punctual performance of all the covenants of the Indenture to be kept or performed by Wisconsin Southern.

It is hereby declared that, in accordance with Section 17.06 of the Original Indenture, the lien of the Indenture shall not extend to the property of Wisconsin Natural not acquired from Wisconsin Southern and not then subject to the lien of the Indenture, unless Wisconsin Natural shall have expressly agreed that such shall be the case, in the manner specified in Section 14.02 of the Original Indenture.

ARTICLE II.
THE TRUSTEES.

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or the due execution hereof by Wisconsin Natural or for or in respect of the recitals contained herein, all of which recitals are made by Wisconsin Natural solely.

ARTICLE III.
MISCELLANEOUS PROVISIONS.

All terms contained in this Supplemental Indenture, and not herein defined, shall for all purposes thereof, have the meanings given to such terms

in Article II of the Original Indenture.

Although the actual date of execution of this Supplemental Indenture by Wisconsin Natural and by the Trustees is as indicated by their respective acknowledgments hereto annexed, the covenants, declarations and agreements of Wisconsin Natural herein contained shall become effective at 12:01 a.m., Central Standard Time, on January 1, 1994, the effective time of the merger referred to herein.

This Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, said Wisconsin Natural Gas Company has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by its Secretary or one of its Assistant Secretaries; said Harris Trust and Savings Bank has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents, and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by its Secretary or one of its Assistant Secretaries; and said J. Bartolini has caused this Supplemental Indenture to be executed; all as of the first day of January, one thousand nine hundred and ninety-four.

WISCONSIN NATURAL GAS COMPANY

\s\ J. G. REMMEL

By _____

J. G. Rummel
Vice President

(CORPORATE SEAL)

Attested:

\s\ ANN MARIE BRADY

Ann Marie Brady

Secretary

Signed, sealed and delivered by
WISCONSIN NATURAL GAS
COMPANY in the presence of:

\s\ C. L. FISHER

C. L. Fisher

\s\ K. L. CRAWFORD

K. L. Crawford
As Witnesses

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HARRIS TRUST AND SAVINGS BANK

\s\ KEVIN O. HEALY

By

Kevin O. Healy
Vice President

(CORPORATE SEAL)

Attested:

\s\ ROBERT D. FOLTZ

Robert D. Foltz
Assistant Secretary

Signed, sealed and delivered by
HARRIS TRUST AND SAVINGS
BANK in the presence of:

\s\ D. G. DONOVAN

D. G. Donovan

\s\ R. JOHNSON

R. Johnson
As Witnesses

STATE OF ILLINOIS,)
COUNTY OF COOK.) SS.:

On this 17th day of December, 1993, before me personally appeared KEVIN O. HEALY and ROBERT D. FOLTZ, to me personally known, who being by me severally duly sworn, did say: that KEVIN O. HEALY is a Vice President and ROBERT D. FOLTZ is an Assistant Secretary of HARRIS TRUST AND SAVINGS BANK, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and said KEVIN O. HEALY and ROBERT D. FOLTZ severally acknowledged said instrument to be the free act and deed of said corporation.

\s\ T. MUZQUIZ

T. Muzquiz

Notary Public

State of Illinois

My Commission expires July 12, 1997

[Seal of Notary Public]

STATE OF ILLINOIS,)
COUNTY OF COOK.) SS.:

On this 17th day of December, 1993, personally appeared J. BARTOLINI, known to me to be the person whose name is subscribed to the within instrument, and acknowledged that she executed the same for the purposes therein contained.

\s\ T. MUZQUIZ

T. Muzquiz

Notary Public

State of Illinois

My Commission expires July 12, 1997

[Seal of Notary Public]

This instrument was drafted by James D. Zakrajsheck and Bruce C. Davidson
on behalf of Wisconsin Natural Gas Company.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated February 22, 1993 (except with respect to the matter discussed in Note 9, as to which the date is July 30, 1993) on the financial statements of Wisconsin Southern Gas Company, Inc. (the "Company") which appears on page 1 of Exhibit (99)-2 to Wisconsin Natural Gas Company's current report on Form 8-K dated January 1, 1994. It should be noted that we have not audited any financial statements of the Company subsequent to December 31, 1992 or performed any audit procedures subsequent to the date of our report. We further consent to the incorporation by reference of such report in the Registration Statements on Form S-3 (Nos. 33-41368 and 33-48927) and related Prospectuses of Wisconsin Natural Gas Company.

/s/Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Milwaukee, Wisconsin
January 3, 1994

WEC & WN Joint News Release

From: Chuck Ziegler, Wisconsin Energy Corp. (221-4444)
Rick James, Wisconsin Natural Gas Co. (635-2349)
Jan. 3, 1994

RACINE, Wis. -- Effective at 12:01 a.m. on Jan. 1, 1994, Wisconsin Southern Gas Company, Inc. was acquired by Wisconsin Energy Corp. through a merger of Wisconsin Southern into Wisconsin Natural Gas Co., a wholly-owned subsidiary of Wisconsin Energy. In the transaction, structured as a tax-free reorganization, all outstanding shares of Wisconsin Southern common stock were converted into 1,638,540 shares of Wisconsin Energy common stock, except for fractional interests which are payable in cash, based on an exchange ratio of 1.6330 shares of Wisconsin Energy common stock for each outstanding share of Wisconsin Southern common stock. As of Dec. 31, 1993, Wisconsin Southern had 1,003,392 shares outstanding.

Wisconsin Natural Gas Co. is the state's second largest gas distribution company. Wisconsin Natural, headquartered in Racine, serves approximately 331,000 customers following the merger.

#

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Wisconsin Southern Gas Company, Inc.:

We have audited the accompanying balance sheets of WISCONSIN SOUTHERN GAS COMPANY, INC. (a Wisconsin corporation) as of December 31, 1992 and 1991, and the related statements of income, cash flows and common shareholders' equity for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Southern Gas Company, Inc. as of December 31, 1992 and 1991, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

/s/Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Milwaukee, Wisconsin
February 22, 1993
(except with respect to
the matter discussed in
Note 9, as to which the
date is July 30, 1993)

- 1 -

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<TABLE>

WISCONSIN SOUTHERN GAS COMPANY, INC.

STATEMENTS OF INCOME

<CAPTION>

	Year ended December 31		
	1992	1991	1990
<S>	<C>	<C>	<C>
Operating Revenues	\$ 43,707,803	\$ 40,683,810	\$ 37,341,203

Operating Expenses:

Natural gas	26,398,498	24,911,867	22,520,844
Operations	10,382,265	10,118,824	8,620,298
Maintenance	826,385	790,322	803,401
Depreciation	1,653,925	1,556,445	1,566,343
Taxes -			
Federal income	640,419	386,840	586,258
Investment tax credit restored	(47,267)	(47,267)	(47,244)
State income	193,077	108,024	165,803
Other	854,401	822,475	820,639
Total operating expenses	40,901,703	38,647,530	35,036,342
Operating Income	2,806,100	2,036,280	2,304,861
Other Income, Net of Tax	63,592	135,934	32,847
Income Before Interest Expense	2,869,692	2,172,214	2,337,708
Interest:			
Interest on long-term debt	1,157,931	1,193,715	750,134
Other	122,892	160,722	218,286
Total interest	1,280,823	1,354,437	968,420
Net Income	\$ 1,588,869	\$ 817,777	\$ 1,369,288
Weighted Average Number of Common Shares Outstanding	995,322	985,702	977,342
Net Income Per Share	\$1.60	\$.83	\$1.40
Cash Dividends Declared Per Share of Common Stock	\$1.28	\$1.26	\$1.19

<FN>

The accompanying notes are an integral part of these financial statements.

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</TABLE>

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<TABLE>

WISCONSIN SOUTHERN GAS COMPANY, INC.

EXHIBIT (99)-2

BALANCE SHEETS

<CAPTION>

Assets	December 31	
	1992	1991
Utility Plant:		
Original cost	\$48,117,299	\$45,795,272
Less - Accumulated depreciation	23,973,996	22,613,433

<S>

<C>

<C>

Non-current gas in storage, at average cost	24,143,303 941,220	23,181,839 941,220
Net utility plant	25,084,523	24,123,059
Current Assets:		
Cash	432,161	279,104
Accounts receivable (less allowance for doubtful accounts of \$160,000 and \$175,000, respectively ..	6,084,929	5,330,843
Accrued revenues	3,757,636	2,913,147
Natural gas in storage, at average cost	1,939,413	1,617,974
Materials and supplies, at average cost	605,031	644,484
Prepaid expenses and other	744,545	691,809
Deferred tax benefit	869,199	327,762
Total Current Assets	14,432,914	11,805,123
Deferred Environmental Costs	3,171,475	344,071
Deferred Charges and Other Assets	1,680,133	1,490,057
Total Assets	\$44,369,045	\$37,762,310
Capitalization and Liabilities		
Capitalization:		
Common stock--\$5 par value; authorized 2,000,000 shares; issued and outstanding 999,567 and 989,672 shares, respectively	\$ 4,997,835	\$ 4,948,360
Premium on common stock	6,383,719	6,167,345
Retained earnings	1,198,703	884,312
Total common shareholders' equity	12,580,257	12,000,017
Preferred stock--\$100 par value; authorized 10,000 shares; none outstanding	--	--
Long-term debt, net	10,743,000	11,842,000
Total capitalization	23,323,257	23,842,017
Current Liabilities:		
Current maturities of long-term debt	1,099,000	1,674,561
Notes payable	4,900,000	1,800,000
Accounts payable	4,992,585	3,599,215
Gas credits and refunds due customers	1,209,786	1,524,495
Accrued taxes	612,800	520,930
Dividends payable	319,861	316,695
Accrued interest	496,599	572,121
Other	387,134	493,102
Total current liabilities	14,017,765	10,501,119
Other Credits:		
Unamortized investment tax credits	663,693	710,960
Deferred income taxes	1,809,289	1,699,466
Accrued environmental costs	3,000,000	300,000
Other long-term liabilities	1,555,041	708,748
Total other credits	7,028,023	3,419,174
Commitments and Contingencies (Note 7)		
Total Capitalization and Liabilities	\$44,369,045	\$37,762,310

<FN>

The accompanying notes are an integral part of these balance sheets.

- 3 -

</TABLE>

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<TABLE>

WISCONSIN SOUTHERN GAS COMPANY, INC.

STATEMENTS OF CASH FLOWS

<CAPTION>

	Year ended December 31		
	1992	1991	1990
Cash Flows Provided By Operating Activities:	<C>	<C>	<C>

Net income	\$ 1,588,869	\$ 817,777	\$ 1,369,288
Adjustments to reconcile net income to cash provided by operations -			
Depreciation and amortization	1,907,878	1,832,683	1,842,580
Provision (benefit) from deferred income taxes	(431,615)	(950,507)	(574,381)
Investment tax credit restored	(47,267)	(47,267)	(47,244)
Changes in -			
Accounts receivable, net	(1,598,575)	(579,986)	236,294
Natural gas in storage	(321,439)	469,395	(418,341)
Accounts payable	1,393,370	(489,096)	(438,767)
Gas credits and refunds due customers	(314,709)	(501,117)	795,701
Accrued income taxes	91,871	524,841	(805,726)
Deferred charges and other assets	42,322	(171,890)	(499,910)
Other, net	35,308	742,374	(150,789)
	-----	-----	-----
Cash Provided By Operations	2,346,013	1,647,207	1,308,705
	-----	-----	-----
Cash Flows (Used For) Investing Activities:			
Additions to utility plant, net	(2,609,766)	(3,458,899)	(4,149,870)
	-----	-----	-----
Cash Flows Provided By (Used For) Financing Activities:			
Changes in notes payable	3,100,000	(3,500,000)	4,450,000
Issuance of long-term debt	--	7,000,000	--
Payments on long-term debt	(1,674,561)	(729,554)	(451,777)
Issuance of common stock	80,412	91,416	67,106
Dividends paid on common stock, less amounts reinvested ..	(1,089,041)	(1,030,474)	(983,141)
	-----	-----	-----
Cash Provided By Financing Activities	416,810	1,831,388	3,082,188
	-----	-----	-----
Net Increase in Cash	153,057	19,696	241,023
Cash, Beginning of Year	279,104	259,408	18,385
	-----	-----	-----
Cash, End of Year	\$ 432,161	\$ 279,104	\$ 259,408
	=====	=====	=====
Cash Paid During the Year For:			
Interest	\$ 1,319,995	\$ 1,125,686	\$ 965,764
	=====	=====	=====
Income taxes	\$ 1,250,000	\$ 1,030,000	\$ 2,235,000
	=====	=====	=====

<FN>

The accompanying notes are an integral part of these statements.

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</TABLE>

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<TABLE>

EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

<CAPTION>

Year ended December 31

	-----	-----	-----
	1992	1991	1990
	-----	-----	-----
<S>	<C>	<C>	<C>

Common Stock:			
Balance, Beginning of Year	\$4,948,360	\$4,900,170	\$4,725,080
Par value of common stock issued for --			
Stock dividends	--	--	139,575
Dividend Reinvestment and Stock Purchase Plan	49,475	48,190	35,515
	-----	-----	-----
Balance, End of Year	\$4,997,835	\$4,948,360	\$4,900,170
	=====	=====	=====
Premium on Common Stock:			
Balance, Beginning of Year	\$6,167,345	\$5,912,093	\$4,838,547
Excess of market value over par value of common			
stock issued	216,374	255,252	1,073,546
	-----	-----	-----
Balance, End of Year	\$6,383,719	\$6,167,345	\$5,912,093
	=====	=====	=====
Retained Earnings:			
Balance, Beginning of Year	\$ 884,312	\$1,309,035	\$2,124,055
Add--Net income	1,588,869	817,777	1,369,288
Deduct--			
Cash dividends declared on common stock	(1,274,478)	(1,242,500)	(1,159,732)
Common stock dividends declared	--	--	(1,024,576)
	-----	-----	-----
Balance, End of Year	\$1,198,703	\$ 884,312	\$1,309,035
	=====	=====	=====

<FN>

The accompanying notes are an integral part of these statements.

- 5 -

</TABLE>

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Wisconsin Southern Gas Company, Inc. (the "Company") is a public utility engaged in purchasing, distributing, transporting and selling natural gas to a diversified base of residential, commercial and industrial customers,

principally in portions of southeastern Wisconsin. It is subject to the accounting and rate regulation of the Public Service Commission of Wisconsin (PSCW). Significant accounting policies are as follows:

Revenue Recognition--The Company accrues revenues for service rendered but not yet billed at each month end.

The Company is required to provide service (and grant credit) to customers within its defined service territory and is precluded by statute from discontinuing service to residential customers during certain periods of the year. The Company continuously reviews its customers' credit worthiness and requests deposits or refunds deposits based on that review.

The Company's rates provide for recovery from all classes of customers of the cost of gas purchased from its suppliers.

Depreciation--Depreciation provisions are at composite straight-line rates. The composite straight-line depreciation rate certified by the PSCW was approximately 3.9% for 1992, 1991 and 1990.

Utility Plant--Utility plant is stated at the original cost of construction.

Maintenance and repairs to property and replacements of minor items are charged to maintenance expense. The cost of property retired plus removal costs, less salvage, is charged to the accumulated provision for depreciation; as a result, no profit or loss is recognized in connection with ordinary retirements of depreciable property.

Substantially all of the Company's utility plant is subject to a first mortgage lien. The Company has no material leases.

Statements of Cash Flows--The Company considers any highly liquid debt instrument with an original maturity of three months or less at the time of purchase to be a cash equivalent.

2. Common Stock

As of December 31, 1992, the Company has reserved 30,537 shares of common stock for issuance under its automatic Dividend Reinvestment and Stock Purchase Plan.

The Company issued a 3% common stock dividend in 1990. The weighted average number of common shares outstanding and the earnings per share and cash dividends per share of common stock, as presented in the Statements of Income, have been adjusted to reflect the effects of this stock dividend. No such common stock dividends were declared in 1991 or 1992.

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

The following shares of common stock were issued:

	1992	1991	1990
	-----	-----	-----
Stock dividends	--	--	27,915
Dividend Reinvestment and Stock Purchase Plan ..	9,895	9,638	7,103
	-----	-----	-----
Total shares issued	9,895	9,638	35,018
	=====	=====	=====

Total cash dividends declared by the Company were \$1,274,478, \$1,242,500 and \$1,159,732 for 1992, 1991 and 1990, respectively. Of these amounts, \$185,437, \$212,026 and \$176,591 were reinvested through the Company's Dividend Reinvestment and Stock Purchase Plan in 1992, 1991 and 1990, respectively.

3. Long-Term Debt

Long-term debt as of December 31, consisted of the following:

1992	1991
-----	-----

First Mortgage Bonds:		
6.75%, Series F, due 1992	\$ --	\$ 420,000
9-5/8%, Series G, due 1995	442,000	481,000
8-3/8%, Series H, due 1993	430,000	460,000
11%, Series I, due 1995	540,000	600,000
12-3/4%, Series J, due 1995	--	555,561
10-1/4%, Series K, due 1998	3,430,000	4,000,000
9.47%, Series L, due 2006	7,000,000	7,000,000
	-----	-----
Total debt	11,842,000	13,516,561
Less--Current maturities	(1,099,000)	(1,674,561)
	-----	-----
Net long-term debt	\$10,743,000	\$11,842,000
	=====	=====

The bond indenture, as supplemented, contains restrictions on the payment of cash dividends and certain other restrictions. At December 31, 1992, under these provisions, none of the retained earnings were so restricted. In addition to these restrictions, the Company follows guidelines as determined by the PSCW for an optimum long-term capital structure, which can in turn affect dividend policy.

Long-term debt maturities total \$1,099,000, \$669,000, \$1,354,000, \$570,000 and \$1,270,000 for the years ending December 31, 1993 through 1997, respectively.

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

4. Notes Payable and Lines of Credit

The Company normally maintains a \$3 million bank line of credit to obtain short-term borrowing flexibility, with an option to increase it to \$5 million. The Company has also arranged an additional \$3.5 million line of credit to be in effect until May 31, 1993, bringing total available lines to \$8.5 million for this period. The interest rate on these lines is the prime rate. Prior to placement of long-term bonds in March 1991, the line was temporarily increased to \$7 million after which it was reduced back to \$3 million. In accordance with normal banking practices, unused lines of credit may generally be withdrawn at the discretion of the lender. Certain cash balances represent compensating balances for credit lines and bank services; however, there are no legal restrictions as to withdrawal of these funds.

The following information relates to short-term borrowings and lines of credit for the years indicated:

	1992	1991	1990
	-----	-----	-----
As of end of year--			
Interest rate on notes payable	6.0%	6.5%	10.0%
Unused lines of credit	\$3,600,000	\$1,200,000	\$1,700,000
For the year ended--			
Maximum amount of notes payable.....	\$4,900,000	\$6,900,000	\$5,300,000
Average amount of notes payable	\$1,111,000	\$1,069,000	\$1,208,000
Average interest rate on notes payable ..	6.2%	9.2%	10.1%

5. Income Taxes

The Company records deferred income taxes on timing differences.

The Company followed the deferral method of accounting for investment tax credits whereby such credits are being restored as a reduction of income tax expense over the useful lives of the related property.

The effective income tax rate is computed by dividing total income tax expense (including investment tax credit restored) by the sum of such expense and net income. The following table reconciles the statutory federal rate to the effective income tax rate:

1992	1991	1990
----	----	----

Statutory federal tax rate	34.0%	34.0%	34.0%
State income taxes, net.....	5.3	5.3	5.2
Effects of various property timing differences			
for which deferred taxes had not been provided ...	(3.5)	3.4	2.9
Investment tax credit restored	(2.0)	(3.5)	(2.3)
Reversal of taxes provided at rates			
greater than 34 %	--	--	(3.8)
Other, net4	.1	(1.4)
	----	----	----
Effective income tax rate	34.2%	39.3%	34.6%
	=====	=====	=====

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

The following table reflects the components of income tax expense:

	1992	1991	1990
	-----	-----	-----
Current federal	\$1,027,982	\$1,224,991	\$1,113,161
Current state	278,128	302,200	234,381
Deferred	(431,615)	(950,507)	(574,381)
ITC restored	(47,267)	(47,267)	(47,244)
	-----	-----	-----
	\$ 827,228	\$ 529,417	\$ 725,917
	=====	=====	=====

The components of deferred income tax expense are as follows:

	1992	1991	1990
	-----	-----	-----
Property items	\$ 160,822	\$ 182,165	\$ 126,491
Revenue recognition	--	--	(302,468)
Gas costs	(394,047)	(943,324)	(72,217)
Deferred charges.....	(49,608)	(91,009)	(279,228)
Other.....	(148,782)	(98,339)	(46,959)
	-----	-----	-----
	\$ (431,615)	\$ (950,507)	\$ (574,381)
	=====	=====	=====

Income tax expense is included in the Statements of Income as:

	1992	1991	1990
	-----	-----	-----
Federal and state income taxes ..	\$ 786,229	\$ 447,597	\$ 704,817
Other income, net	40,999	81,820	21,100
	-----	-----	-----
	\$ 827,228	\$ 529,417	\$ 725,917
	=====	=====	=====

Certain book-tax property differences and other timing items that had not previously been normalized are being recognized in rates over a 10-year period that began on October 1, 1991. The remaining unrecorded deferred tax effect of such items totalled approximately \$735,000 as of December 31, 1992.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109), which is effective in 1993. SFAS 109 requires adjustments to reflect accumulated deferred income taxes relating to tax rate changes and temporary differences for which deferred taxes were not previously recorded (as discussed above). The Company will reflect the initial application of the statement as a cumulative adjustment in 1993. It is expected that the additional net deferred income tax assets will be offset by regulatory liabilities totalling \$1.6 million, which represent the expected future revenue requirement impact of these adjustments. As such, management does not expect the new standard to have a significant impact on the results of future operations or financial condition.

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

6. Employee Benefit Plans

The Company has two retirement plans (salaried and non-salaried) covering substantially all employees. Benefits are based on years of service and compensation. Contributions are intended to provide not only for benefits attributed to service rendered to date, but also for those expected to be earned in the future.

The following table sets forth the plans' funded status at December 31:

	1992	1991
	-----	-----
Accumulated benefit obligations, including vested benefits of \$10,563,065 and \$9,027,411, respectively	\$10,583,005	\$ 9,045,298
	=====	=====
Projected benefit obligation for service rendered to date	\$13,768,300	\$12,332,891
Plan assets at fair value	16,201,285	15,551,305
	-----	-----
Plan assets in excess of projected benefit obligation	(2,432,985)	(3,218,414)
Unrecognized gain on assets.....	3,829,084	3,744,494
Unrecognized prior service cost	(1,136,214)	(223,255)
Unrecognized net asset at January 1, 1987, being recognized through 2002	231,439	260,046
	-----	-----
Accrued pension liability	\$ 491,324	\$ 562,871
	=====	=====

Net pension cost of the plans consisted of:

	1992	1991	1990
	-----	-----	-----
Service cost--benefits earned during the year	\$ 490,707	\$ 429,609	\$ 401,867
Interest cost on projected benefit obligation	998,665	889,846	817,291
Actual return on plan assets	(1,089,149)	(4,186,038)	(209,566)
Net amortization and deferral	(261,154)	3,245,808	(735,571)
Regulatory effect of accounting for pension cost.....	(139,069)	(168,609)	(274,021)
	-----	-----	-----
Net pension cost	\$ --	\$ 210,616	\$ --
	=====	=====	=====

Actuarial assumptions used were as follows:

Weighted-average discount rate	8.00%	8.00%	8.00%
Long-term rate of return on assets	8.00%	8.00%	8.00%

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Until October 1, 1990, the cost of retiree health care and the cost of providing life insurance were recognized as annual insurance premiums were incurred. These costs totalled approximately \$74,000 for 1990. In October 1990, the Company formed two voluntary employee's beneficiary association (VEBA) trusts to fund postretirement health and life insurance benefits. In connection with a rate order effective October 1990, the Company began collecting amounts in rates to fund such postretirement benefits. In 1992, 1991 and 1990, \$1,060,000, \$940,000 and \$224,000 were provided and expensed, for such funding, respectively.

The FASB has issued a statement, SFAS No. 106, which establishes accounting and reporting standards for retirement benefits other than pensions. The new statement requires the accrual of the expected cost of such benefits during the employees' years of service. The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

The Company expects to prospectively adopt the standard effective January 1, 1993 and to amortize the transition obligation to expense over a twenty-year period. Management has engaged actuaries who have made a preliminary review using 1992 data. Based on the actuaries' review, the postretirement transition obligation at January 1, 1993, measured in accordance with the new standard, is estimated to be \$10.3 million. Had the standard been adopted in 1992, the actuaries estimate that the additional postretirement benefit cost charged to expense in 1992 would have been approximately \$758,000 (pre-tax). Management believes the effect of actual adoption in 1993 will be similar, although it could be changed significantly by changes in health care costs, work force demographics, interest rates, or plan changes.

As prescribed by the PSCW, effective January 1, 1993, the Company has adopted SFAS 106 for accounting and ratemaking purposes.

In November of 1992, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 112, "Employers' Accounting for Post Employment Benefits." SFAS No. 112 establishes standards of financial accounting and reporting for the estimated costs of benefits provided by an employer to former or inactive employees after employment but before retirement. The impact of adoption, which must occur no later than 1994, is not expected to be significant.

The Company also has various deferred compensation and supplemental retirement plans for directors and officers. Total expenses for such plans were \$251,000, \$179,000, and \$149,000 for 1992, 1991, and 1990, respectively.

7. Commitments and Contingencies

The Company's 1993 planned expenditures for utility plant additions are estimated at \$4.2 million, and certain commitments have been made in connection therewith.

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

To ensure an adequate supply of natural gas, the Company has entered into certain long-term contracts. These contracts include a demand component whereupon payments are required if contracted quantities are not purchased. Certain conditions may arise that require the Company to make payments under these demand clauses. The Company has contracts obligating purchases that total approximately \$35 million through 1996. Management believes it will meet minimum purchase obligations under the contracts.

The Company has hired an environmental engineering firm to perform testing on a former manufactured gas site previously operated by the Company. Such testing has determined that remediation work is required at the site; however, the extent of such work is subject to approval by the Wisconsin Department of Natural Resources. Future site remediation costs are estimated to total \$3-7 million. As of December 31, 1992, the Company has recorded a liability of \$3 million for future estimated site remediation costs along with a deferred charge of \$3,171,475, which includes amounts expended through December 31, 1992. Management believes all costs associated with remediation are probable for recovery in future rates based on correspondence with the PSCW and prior regulatory treatment by the PSCW. Under current plans, significant expenditures will not occur until at least 1994.

8. FERC Orders 636 and 636-A

In 1992, the Federal Energy Regulatory Commission (FERC) issued Orders No. 636 and No. 636-A. The 636 Orders require substantial restructuring of the service obligations of interstate pipelines. Pipelines have initiated proceedings to negotiate with customers all elements of restructured tariffs to be in place by the 1993-1994 winter heating season. Among other things, the 636 Orders mandate "unbundling" of existing pipeline gas sales services and will replace current statutory abandonment procedures, as applied to firm transportation contracts of more than one year, with a right-of-first-refusal mechanism. Mandatory unbundling will require pipelines to sell separately the various components of their existing gas sales services (gathering, transportation and storage services, and gas supply). These components are now combined or "bundled" in gas services purchased by the Company. To address

concerns raised by utilities about reliability of service to their service territories, the 636 Orders require pipelines to offer a "no-notice" transportation service under which firm transporters can receive delivery of gas up to their contractual capacity level on any day without prior scheduling. In addition, the customer may appoint an agent, which may be the pipeline, to rebundle the component services into a bundled service substantially similar to existing pipeline service.

The right-of-first-refusal mechanism contained in the 636 Orders replaces the current abandonment procedures under which a pipeline must, before abandoning any service, obtain prior FERC approval that discontinuance of the service is in the public interest. The 636 Orders authorize a pipeline's abandonment of a long-term (one year or more) transportation service to a customer whenever the customer fails to match the highest rate and longest term, up to a maximum of 20 years, offered to the pipeline by other customers for the particular capacity. Further, the 636 Orders provide for a mechanism for pipelines to recover prudently incurred transition costs associated with the restructuring process.

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

The FERC has initiated individual restructuring proceedings for each interstate pipeline. Each pipeline is required to submit a proposal to bring it into compliance with the requirements of the 636 Orders. The Company has intervened and is participating in the pipeline proceedings, including settlement negotiations, that are of substantial interest to the Company. The 636 Orders may have transition costs totalling up to \$8.1 million; however, such costs are expected to be recoverable in future rates.

9. Potential Business Combination

In October 1992, the Company's Board of Directors engaged a financial advisor to study a variety of strategic alternatives including contact with a select group of companies to investigate their interest in a business combination. In connection therein, the Company also entered into employment agreements with certain of its officers and employees. These agreements, which have terms from two to five years, outline conditions of employment and specify severance payments which would be paid only after a change in Company ownership occurs and certain other events take place. If such change in ownership were to occur, the Company has the possibility of incurring costs associated with the severance payments, as well as other vested benefits, recognition of which could be accelerated. The maximum obligation associated with these agreements would total \$2.3 million if all employees subject to the agreements terminated employment.

On July 30, 1993, Wisconsin Energy Corporation ("Wisconsin Energy"), Wisconsin Natural Gas Company ("Wisconsin Natural") and the Company entered into a definitive agreement for the acquisition of the Company by Wisconsin Energy through the merger of the Company into Wisconsin Natural, a wholly-owned subsidiary of Wisconsin Energy. Subject to the receipt of various approvals, the target date for this transaction to close is January 1, 1994.

10. Quarterly Financial Data (Unaudited)

Seasonal factors significantly affect gas distribution utilities, and therefore, the data presented below should not be expected to be comparable between quarters. Quarterly data also is not necessarily indicative of the results to be expected for an annual period.

	First	Second	Third	Fourth
	-----	-----	-----	-----
1992				
Operating revenues	\$16,236,972	\$6,533,765	\$ 4,377,210	\$16,559,856
Operating income (loss)	2,120,470	(114,193)	(762,640)	1,562,463
Net income (loss)	1,805,496	(392,692)	(1,052,575)	1,228,640
Net income (loss)				
per share	1.82	(.40)	(1.06)	1.24
1991				
Operating revenues	\$16,672,952	\$5,537,053	\$ 4,138,106	\$14,335,699
Operating income (loss)	2,047,779	(447,603)	(847,763)	1,283,867
Net income (loss)	1,762,464	(752,889)	(1,172,690)	980,892
Net income (loss)				
per share	1.79	(.76)	(1.19)	.99

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<TABLE>

EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

STATEMENTS OF INCOME

(Unaudited)

<CAPTION>

	Three Months Ended September 30		Nine Months Ended September 30	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Operating Revenues	\$ 4,636,514	\$ 4,377,210	\$ 32,965,685	\$ 27,147,947
Operating Expenses:				
Natural gas	2,605,754	2,352,240	19,717,216	15,520,376
Operations	2,811,153	2,542,243	8,529,506	7,679,816
Maintenance	253,600	252,945	688,862	628,741
Depreciation	451,001	420,066	1,353,005	1,260,208
Taxes - Federal & state income (benefits).	(701,400)	(635,300)	383,050	167,640
- Other	227,184	207,656	680,780	647,530
Total Operating Expenses	5,647,292	5,139,850	31,352,419	25,904,311
Operating Income (Loss)	(1,010,778)	(762,640)	1,613,266	1,243,636
Other Income	8,779	14,357	32,216	51,658
Income (Loss) Before Interest Expense	(1,001,999)	(748,283)	1,645,482	1,295,294
Interest Expense	286,415	304,292	891,748	935,066
Net Income (Loss)	\$ (1,288,414)	\$ (1,052,575)	\$ 753,734	\$ 360,228
Average number of common shares outstanding	1,003,392	996,457	1,002,457	994,036
Earnings (Loss) per average share of common stock	\$ (1.28)	\$ (1.06)	\$.75	\$.36
Cash dividends declared per common share outstanding	\$.32	\$.32	\$.96	\$.96
Gas volumes (sales and transportation) - therms	12,879,747	12,704,502	73,378,748	67,750,209

<FN>

The accompanying notes are an integral part of these financial statements.

</TABLE>

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<TABLE>

EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

BALANCE SHEETS

(Unaudited)

<CAPTION>

	September 30, 1993	December 31, 1992
	-----	-----
Assets		

<S>	<C>	<C>
Utility Plant:		
Original cost	\$49,741,415	\$48,117,299
Less - Accumulated depreciation	25,326,996	23,973,996
	-----	-----
Net plant in service	24,414,419	24,143,303
Non-current gas in storage	941,220	941,220
	-----	-----
Net utility plant	25,355,639	25,084,523
	-----	-----
Current Assets:		
Cash and cash equivalents	672,867	432,161
Accounts receivable - net	3,464,946	9,842,565
Natural gas in storage	4,175,470	1,939,413
Materials and supplies	876,862	605,031
Prepaid expenses	761,558	744,545
Deferred tax benefit	925,092	869,199
	-----	-----
Total Current Assets	10,876,795	14,432,914
	-----	-----
Deferred Environmental Costs	3,181,905	3,171,475
	-----	-----
Deferred Charges and Other Assets	1,754,836	1,680,133
	-----	-----
Total	\$41,169,175	\$44,369,045
	=====	=====
Capitalization and Liabilities		

Capitalization:		
Common stock	\$ 5,016,960	\$ 4,997,835
Premium on common stock	6,498,604	6,383,719
Retained earnings	989,897	1,198,703
	-----	-----
Total common equity	12,505,461	12,580,257
Preferred stock	--	--
Long-term debt, net	10,074,000	10,743,000
	-----	-----
Total capitalization	22,579,461	23,323,257
	-----	-----
Current Liabilities:		
Current maturities of long-term debt	669,000	1,099,000
Notes payable	3,900,000	4,900,000
Accounts payable	3,849,833	4,992,585
Gas credits and refunds due customers	1,637,987	1,209,786
Accrued taxes	--	612,800
Dividends payable	321,085	319,861
Accrued interest	195,853	496,599
Other	635,120	387,134
	-----	-----
Total current liabilities	11,208,878	14,017,765
	-----	-----
Other Liabilities and Credits:		
Unamortized investment tax credits	628,693	663,693
Deferred income taxes	228,255	1,809,289
Accrued environmental costs	3,000,000	3,000,000
Other long-term liabilities	3,523,888	1,555,041
	-----	-----
Total	7,380,836	7,028,023
	-----	-----
Total	\$41,169,175	\$44,369,045
	=====	=====

<FN>

</TABLE>

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<TABLE>

WISCONSIN SOUTHERN GAS COMPANY, INC.

STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 1993 and 1992

(Unaudited)

<CAPTION>

	1993	1992
	-----	-----
<S>	<C>	<C>
Cash from Operating Activities:		
Net income	\$ 753,734	\$ 360,228
Adjustments to reconcile net income		
to cash provided by operations -		
Depreciation and amortization	1,353,005	1,451,263
Changes in -		
Accounts receivable and refunds		
due customers	6,805,820	5,494,127
Natural gas in storage	(2,236,057)	(1,541,396)
Accounts payable	(1,142,752)	(305,837)
Accrued and deferred income taxes	(871,131)	(1,042,058)
Deferred charges and other assets	(85,133)	291,321
Other, net	214,870	(282,735)
	-----	-----
Cash Provided from Operations	4,792,356	4,424,913
	-----	-----
Cash from (used in) Investing		
Activities:		
Additions to utility plant, net	(1,624,121)	(1,693,824)
	-----	-----
Cash from (used in) Financing Activities:		
Change in notes payable	(1,000,000)	(400,000)
Payments on long-term debt	(1,099,000)	(1,674,561)
Issuance of common stock	17,710	59,225
Dividends paid on common stock, net	(846,239)	(814,797)
	-----	-----
Cash from (used in) Financing Activities	(2,927,529)	(2,830,133)
	-----	-----
Net Increase (decrease) in Cash		
and Cash Equivalents	240,706	(99,044)
Cash and Cash Equivalents:		
Beginning of Period	432,161	279,104
	-----	-----
End of Period	\$ 672,867	\$ 180,060
	=====	=====
Cash Paid:		
Interest	\$1,185,529	\$1,267,900
	=====	=====
Income taxes	\$1,252,714	\$1,250,000
	=====	=====

<FN>

The accompanying notes are an integral part of these financial statements.

</TABLE>

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EXHIBIT (99)-2

WISCONSIN SOUTHERN GAS COMPANY, INC.

NOTES TO FINANCIAL DATA

1. The financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. This report is presented generally on the same basis as Wisconsin Southern's annual report, Form 10-K, filed with the Commission. Reference is also made to Wisconsin Southern's, Form 10-Q for the quarterly period ended March 31, 1993 for a discussion of the adoption of Statement of Financial Accounting Standard Nos. 106 and 109.

The information furnished herein reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. Such adjustments are of a normal recurring nature.

The results for interim periods are not necessarily indicative of the results to be expected for the year due to seasonal factors.

2. On July 30, 1993, Wisconsin Energy, Wisconsin Natural and Wisconsin Southern entered into a definitive agreement for the acquisition of Wisconsin Southern by Wisconsin Energy through the merger of Wisconsin Southern into Wisconsin Natural, a wholly-owned subsidiary of Wisconsin Energy. Subject to receipt of the various approvals, the target date for the transaction to close is January 1, 1994.

Wisconsin Southern has entered into employment agreements with certain of its officers and employees. These agreements, which have terms from two to five years, outline conditions of employment and specify severance payments which be paid only after a change in Wisconsin Southern ownership occurs and certain other events take place. If such change in ownership were to occur, Wisconsin Southern has the possibility of incurring costs associated with the severance payments, as well as other vested benefits, recognition of which could be accelerated. The maximum obligation associated with these agreements would total \$2.3 million if all employees subject to the agreements terminated employment.

3. Wisconsin Southern has hired an environmental engineering firm to perform testing on a former manufactured gas site previously operated by Wisconsin Southern. Such testing has determined that remediation work is required at the site; however, the extent of such work is subject to approval by the Wisconsin Natural Department of Natural Resources. Wisconsin Southern has recorded a liability of \$3 million for future estimated site remediation costs, based upon estimates that such costs will total \$3 - 7 million in the future. Wisconsin Southern's management believes all costs associated with remediation are probable for recovery in future rates based on correspondence with the Public Service Commission of Wisconsin (PSCW) and prior regulatory treatment by the PSCW. Under current plans, significant expenditures will not occur until at least 1994.