WEC Energy Group

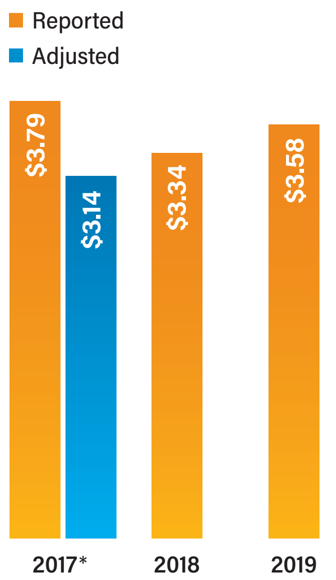
HERE COMES *the* SUN

2019 Annual Report

Notice of 2020 Annual Meeting and Proxy Statement

2019 Financial Highlights

Earnings per share



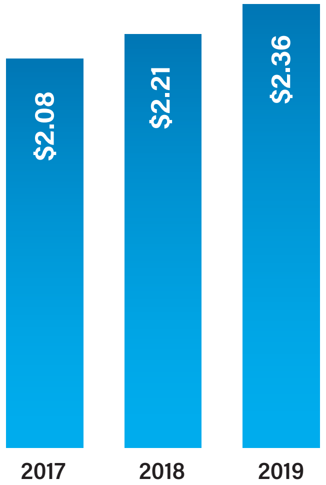
* Adjusted 2017 earnings per share exclude a one-time, non-cash gain of 65 cents per share related to the new tax law adopted in 2017.

Financial Snapshot

(In millions, except per share data and percentages)

	2019	2018	Change
GAAP earnings	$1,134.0	$1,059.3	7.1%
GAAP earnings per share	$3.58	$3.34	7.2%
Dividends per share	$2.36	$2.21	6.8%
Dividend yield	2.6%	3.2%	
Diluted average shares outstanding	316.7	316.9	
GAAP return on average common equity	11.40%	11.01%	
Book value per share	$32.06	$31.02	3.3%
Total assets	$34,952	$33,476	4.4%
Market price per share at year-end	$92.23	$69.26	33.2%
Market capitalization at year-end	$29,093	$21,853	33.1%

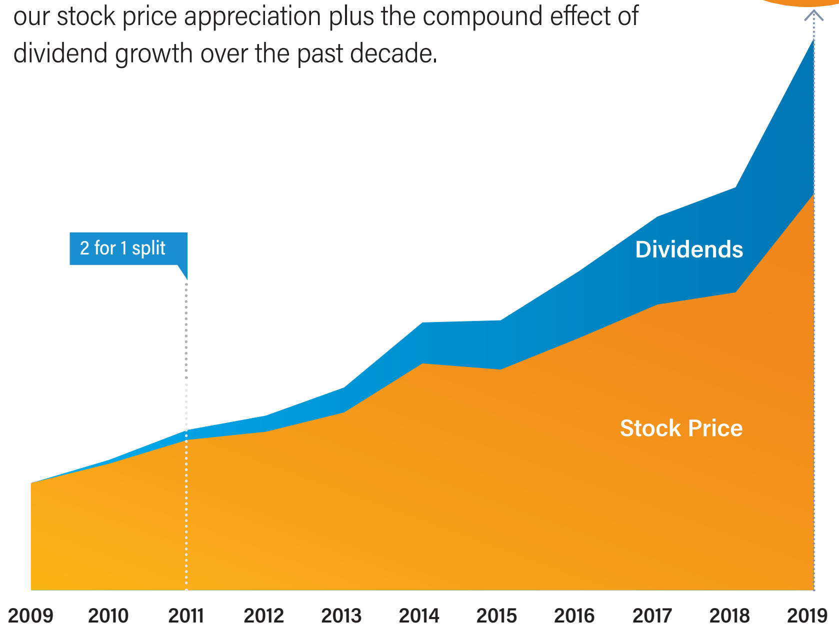
Dividends per share



Total Shareholder Return

WEC Energy Group consistently delivers among the best total returns in the industry. The illustration demonstrates our stock price appreciation plus the compound effect of dividend growth over the past decade.

A $100 investment at the end of 2009 has grown to a total value of **$515**



Gale Klappa,
Executive Chairman

Kevin Fletcher,
President and
Chief Executive Officer

To our stockholders,

The world is changing. Technology is improving. Customer expectations continue to rise. In the midst of it all, we believe that the key to enduring progress — the key to sustainable growth of our business — is our focus on the fundamentals. Every decision we make is grounded in reliability, customer satisfaction, financial discipline and environmental stewardship.

And we're pleased to report that on virtually every meaningful measure, we delivered another year of solid results in 2019.

- We reported record net income from operations of $1.13 billion and earnings per share of $3.58 — exceeding our guidance for the year.
- Our stock price set 48 new record highs, rising to $98.19 on Sept. 4, 2019.
- Our total shareholder return was 37 percent — surpassing the performance of all the major utility indexes.
- Our balance sheet grew even stronger — supporting our investment-grade credit ratings.

We moved forward with our generation reshaping strategy. Our priority is to reduce greenhouse gas emissions while maintaining a system that can respond reliably and consistently — in the face of severe weather events and other emergencies.

- We retired 40 percent of our coal generation since 2014.

In 2019, we met and exceeded our 2030 goal of reducing carbon emissions by 40 percent below 2005 levels.

- In 2019, we met and exceeded our 2030 goal of reducing carbon emissions by 40 percent below 2005 levels. Given our progress, we are re-evaluating our longer-term carbon reduction goals.
- We set a goal, by the year 2030, to reduce the rate of methane emissions from our natural gas distribution lines by 30 percent per mile from a 2011 baseline. We are more than halfway toward meeting this goal. Our ongoing work to modernize Chicago's natural gas delivery network is key to achieving our goal.
- Between 2020 and 2024, we expect to spend nearly a billion dollars to increase the amount of renewable generation on our system.
- Construction began on two of the largest solar installations in the Midwest. These utility-scale solar facilities will play an important role in producing renewable energy for our customers for many years to come.
- Our utility in the Upper Peninsula provided the energy solution needed in northern Michigan. Two new natural gas-fueled plants began operating in March 2019, which enabled us to retire our less-efficient, coal-fueled Presque Isle Power Plant.

We strengthened the energy infrastructure our customers depend on.

- We invested nearly $2.3 billion in our core business to maintain reliability and improve customer service.
- In Wisconsin, where we have 70 percent of our regulated assets, we constructively settled our rate reviews. New rates for energy service went into effect Jan. 1, 2020.
- We Energies, our largest utility, was named the most reliable in the Midwest for the ninth year in a row, and Wisconsin Public Service was recognized for the first time for its outstanding reliability performance as a midsize utility.
- We announced plans to build two liquefied natural gas facilities to address the need for more natural gas peaking capacity in Wisconsin at the highest demand times on the coldest days. If approved, construction is expected to begin in summer 2021. We expect to invest $370 million.

Opportunities to invest in energy infrastructure outside of our regulated footprint continue to help our business grow sustainably.

- In recent months, we agreed to acquire majority interests in two new wind farms: Thunderhead Wind Energy Center in Nebraska and Blooming Grove Wind Farm in Illinois. Our investment in these projects will total $770 million.
- Our infrastructure segment will hold majority interests in five wind farms capable of providing approximately 1,000 megawatts of carbon-free energy outside of our traditional service area. These investments will total nearly $1.4 billion.
- These renewable energy assets have long-term agreements to serve investment-grade customers. We expect the return on these investments to be higher than our regulated business returns.

Our investment strategy and our focus on operating efficiency have supported predictable dividends and dividend growth.

- At its January meeting, our board of directors increased the dividend by 7.2 percent over the previous rate. The new annualized dividend is $2.53 a share.
- This marks the 17th consecutive year that our company will reward shareholders with higher dividends.
- We continue to target a payout ratio of 65 to 70 percent of earnings. We expect our dividend growth will continue to be in line with the growth in our earnings per share.

Our goal is to build and sustain long-term value for our stockholders, customers and communities in a rapidly changing industry.

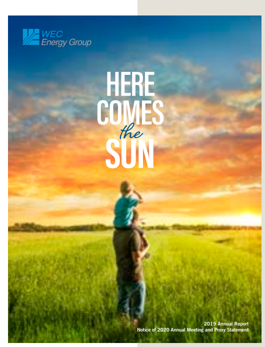
- We believe effective corporate governance is an essential driver of stockholder value and a key component to sustainability. Through its succession planning, our board is maintaining its diversity of knowledge, skills, experience, thought, gender, ethnicity and tenure.
- Our companies and foundations are among the most active participants in the communities we serve — providing engagement and financial support to worthy organizations. In 2019, charitable giving rose to nearly $20 million.

On behalf of our entire management team, thank you for your confidence, your support and your investment in WEC Energy Group.

Sincerely,

Gale E. Klappa Executive Chairman	J. Kevin Fletcher President and Chief Executive Officer

March 6, 2020



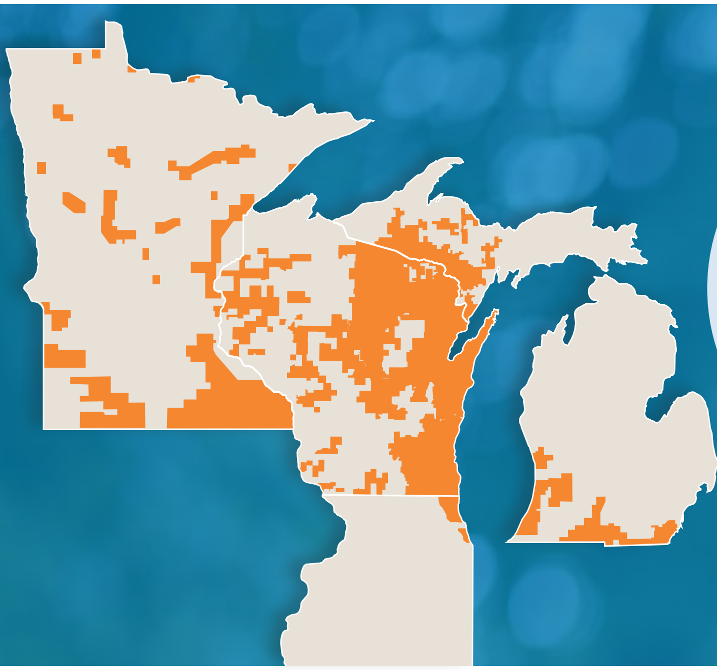
About the cover: Solar generation technology has improved in efficiency and complements customer demand for energy in the summer. Construction is underway on two of the largest solar installations in the Midwest. When complete, approximately 1.5 million solar panels will be providing more renewable energy to our Wisconsin customers.

Best in the Midwest ... *again*

For the ninth consecutive year, We Energies received the ReliabilityOne™ Award for Outstanding Reliability Performance in the Midwest. Wisconsin Public Service also was recognized for the first time as the Outstanding Midsize Utility.

An Energy Industry Leader

WEC Energy Group is one of the nation's leading energy companies, with the operational expertise and financial resources to meet the electricity and natural gas needs of customers across the Midwest.



We provide vital services to more than **4.5 million** customers in Wisconsin, Illinois, Michigan and Minnesota.

70,600 miles of electric distribution

50,700 miles of natural gas distribution and transmission lines

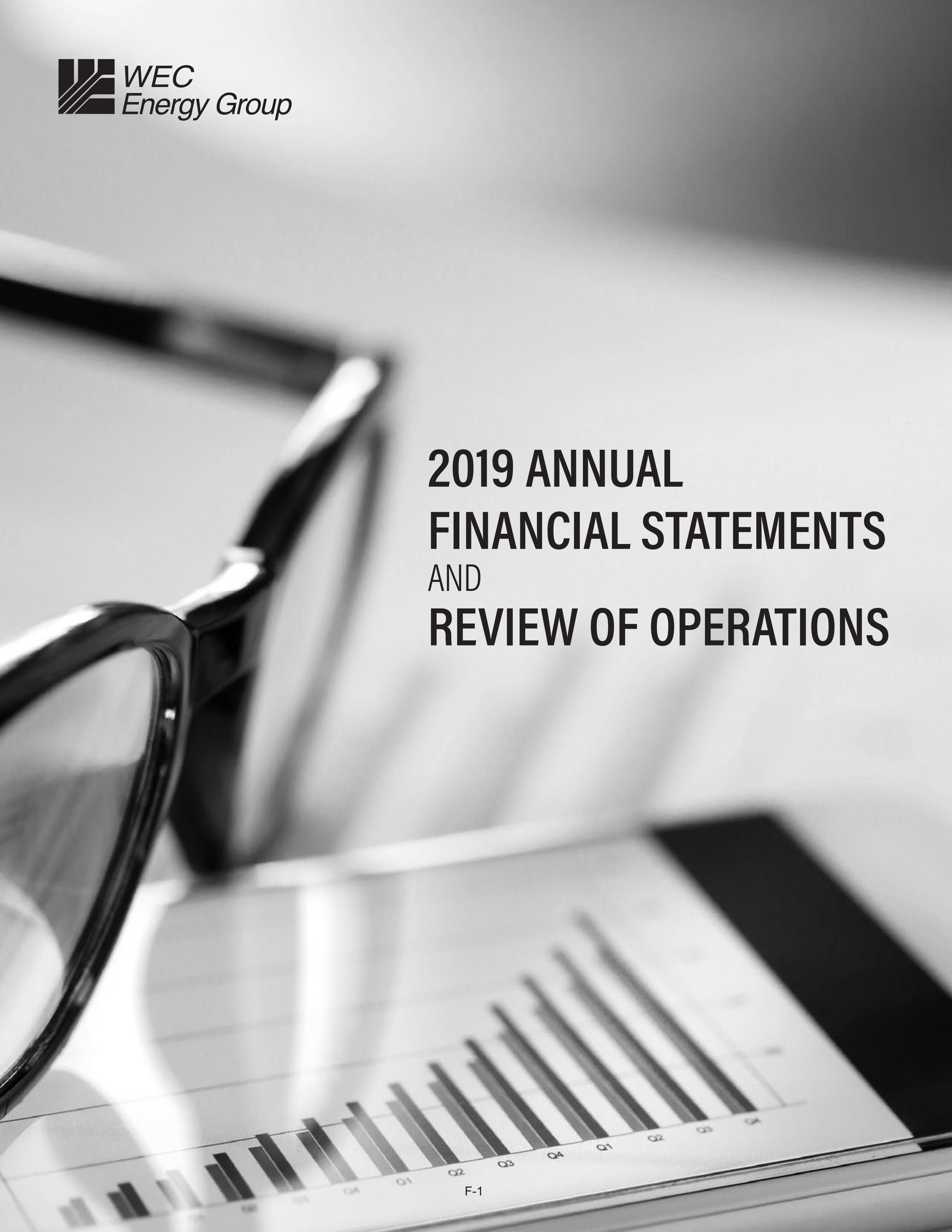
7,100 megawatts of power capacity

7,500 employees

WEC Infrastructure will hold majority ownership interests in wind farms that are capable of providing approximately 1,000 megawatts of carbon-free energy outside of WEC Energy Group's traditional service area. These renewable energy assets have long-term agreements to serve investment-grade customers.

Nearly **$1.4 billion** in committed investments between 2018-2020

WEC Energy Group



2019 ANNUAL FINANCIAL STATEMENTS AND REVIEW OF OPERATIONS

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GLOSSARY OF TERMS AND ABBREVIATIONS

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

Subsidiaries and Affiliates

ATC	American Transmission Company LLC
ATC Holdco	ATC Holdco LLC
ATC Holding	ATC Holding LLC
Bishop Hill III	Bishop Hill Energy III LLC
Blooming Grove	Blooming Grove Wind Energy Center LLC
Bluewater	Bluewater Natural Gas Holding, LLC
Bluewater Gas Storage	Bluewater Gas Storage, LLC
Bostco	Bostco LLC
Coyote Ridge	Coyote Ridge Wind, LLC
Integrys	Integrys Holding, Inc.
MERC	Minnesota Energy Resources Corporation
MGU	Michigan Gas Utilities Corporation
NSG	North Shore Gas Company
PDL	WPS Power Development, LLC
PELLC	Peoples Energy, LLC
PGL	The Peoples Gas Light and Coke Company
Thunderhead	Thunderhead Wind Energy LLC
UMERC	Upper Michigan Energy Resources Corporation
Upstream	Upstream Wind Energy LLC
WBS	WEC Business Services LLC
WE	Wisconsin Electric Power Company
We Power	W.E. Power, LLC
WEC Energy Group	WEC Energy Group, Inc.
WECC	Wisconsin Energy Capital Corporation
WECI	WEC Infrastructure LLC
WG	Wisconsin Gas LLC
Wispark	Wispark LLC
Wisvest	Wisvest LLC
WPS	Wisconsin Public Service Corporation
WRPC	Wisconsin River Power Company

Federal and State Regulatory Agencies

EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
ICC	Illinois Commerce Commission
IDNR	Illinois Department of Natural Resources
IEPA	Illinois Environmental Protection Agency
IRS	United States Internal Revenue Service
MPSC	Michigan Public Service Commission
MPUC	Minnesota Public Utilities Commission
PSCW	Public Service Commission of Wisconsin
SEC	Securities and Exchange Commission
WDNR	Wisconsin Department of Natural Resources

Accounting Terms

AFUDC	Allowance for Funds Used During Construction
ARO	Asset Retirement Obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CWIP	Construction Work in Progress
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
LIFO	Last-In, First-Out
OPEB	Other Postretirement Employee Benefits
SAB	Staff Accounting Bulletin

Environmental Terms

ACE	Affordable Clean Energy
Act 141	2005 Wisconsin Act 141
BATW	Bottom Ash Transport Water
BSER	Best System of Emission Reduction
BTA	Best Technology Available
CAA	Clean Air Act
CO_2	Carbon Dioxide
ELG	Steam Electric Effluent Limitation Guidelines
FGD	Flue Gas Desulfurization
GHG	Greenhouse Gas
NAAQS	National Ambient Air Quality Standards
GMZ	Groundwater Management Zone
MATS	Mercury and Air Toxics Standards
NOV	Notice of Violation
NOx	Nitrogen Oxide
PCB	Polychlorinated Biphenyl
RTR	Risk and Technology Review
SO_2	Sulfur Dioxide
VN	Violation Notice

Measurements

Dth	Dekatherm
MDth	One thousand Dekatherms
MW	Megawatt
MWh	Megawatt-hour

Other Terms and Abbreviations

2007 Junior Notes	WEC Energy Group, Inc.'s 2007 Junior Subordinated Notes Due 2067
AG	Attorney General
AMI	Advanced Metering Infrastructure
ARR	Auction Revenue Right
Badger Hollow I	Badger Hollow Solar Farm I
Badger Hollow II	Badger Hollow Solar Farm II
CFR	Code of Federal Regulations
Compensation Committee	Compensation Committee of the Board of Directors
D.C. Circuit Court of Appeals	United States Court of Appeals for the District of Columbia Circuit
ERGS	Elm Road Generating Station
ER 1	Elm Road Generating Station Unit 1
ER 2	Elm Road Generating Station Unit 2
ERP	Enterprise Resource Planning
Exchange Act	Securities Exchange Act of 1934, as amended
FTR	Financial Transmission Right
GCRM	Gas Cost Recovery Mechanism
GUIC	Gas Utility Infrastructure Costs
Holding Company Act	Wisconsin Utility Holding Company Act
LIBOR	London Interbank Offered Rate

LMP	Locational Marginal Price
LNG	Liquefied Natural Gas
MISO	Midcontinent Independent System Operator, Inc.
MISO Energy Markets	MISO Energy and Operating Reserves Market
NYMEX	New York Mercantile Exchange
OCPP	Oak Creek Power Plant
OC 5	Oak Creek Power Plant Unit 5
OC 6	Oak Creek Power Plant Unit 6
OC 7	Oak Creek Power Plant Unit 7
OC 8	Oak Creek Power Plant Unit 8
Omnibus Stock Incentive Plan	WEC Energy Group 1993 Omnibus Stock Incentive Plan, Amended and Restated Effective as of January 1, 2016
PIPP	Presque Isle Power Plant
Point Beach	Point Beach Nuclear Power Plant
PUHCA 2005	Public Utility Holding Company Act of 2005
PWGS	Port Washington Generating Station
PWGS 1	Port Washington Generating Station Unit 1
PWGS 2	Port Washington Generating Station Unit 2
QIP	Qualifying Infrastructure Plant
RCC	Replacement Capital Covenant (dated May 11, 2007)
ROE	Return on Equity
RTO	Regional Transmission Organization
SMP	Natural Gas System Modernization Program
SOX	Section 404 of the Sarbanes-Oxley Act
SREC	Solar Renewable Energy Certificate
SSR	System Support Resource
Tax Legislation	Tax Cuts and Jobs Act of 2017
Tilden	Tilden Mining Company
Two Creeks	Two Creeks Solar Project
VAPP	Valley Power Plant
VITA	Variable Income Tax Adjustment Rider

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

In this report, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. These statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements may be identified by reference to a future period or periods or by the use of terms such as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "goals," "guidance," "intends," "may," "objectives," "plans," "possible," "potential," "projects," "seeks," "should," "targets," "will," or variations of these terms.

Forward-looking statements include, among other things, statements concerning management's expectations and projections regarding earnings, completion of capital projects, sales and customer growth, rate actions and related filings with regulatory authorities, environmental and other regulations and associated compliance costs, legal proceedings, dividend payout ratios, effective tax rates, pension and OPEB plans, fuel costs, sources of electric energy supply, coal and natural gas deliveries, remediation costs, environmental matters, liquidity and capital resources, and other matters.

Forward-looking statements are subject to a number of risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in the statements. These risks and uncertainties include those described below:

- Factors affecting utility operations such as catastrophic weather-related damage, environmental incidents, unplanned facility outages and repairs and maintenance, and electric transmission or natural gas pipeline system constraints;
- Factors affecting the demand for electricity and natural gas, including political developments, unusual weather, changes in economic conditions, customer growth and declines, commodity prices, energy conservation efforts, and continued adoption of distributed generation by customers;
- The timing, resolution, and impact of rate cases and negotiations, including recovery of deferred and current costs and the ability to earn a reasonable return on investment, and other regulatory decisions impacting our regulated operations;
- The impact of recent and future federal, state, and local legislative and/or regulatory changes, including changes in rate-setting policies or procedures, deregulation and restructuring of the electric and/or natural gas utility industries, transmission or distribution system operation, the approval process for new construction, reliability standards, pipeline integrity and safety standards, allocation of energy assistance, energy efficiency mandates, and tax laws, including the Tax Legislation as well as those that affect our ability to use production tax credits and investment tax credits;
- Federal and state legislative and regulatory changes relating to the environment, including climate change and other environmental regulations impacting generation facilities and renewable energy standards, the enforcement of these laws and regulations, changes in the interpretation of regulations or permit conditions by regulatory agencies, and the recovery of associated remediation and compliance costs;
- The ability to obtain and retain customers, including wholesale customers, due to increased competition in our electric and natural gas markets from retail choice and alternative electric suppliers, and continued industry consolidation;
- The timely completion of capital projects within budgets and the ability to recover the related costs through rates;
- Factors affecting the implementation of our generation reshaping plan, including related regulatory decisions, the cost of materials, supplies, and labor, and the feasibility of competing projects;
- The financial and operational feasibility of taking more aggressive action to further reduce GHG emissions in order to limit future global temperature increases;
- The risks associated with changing commodity prices, particularly natural gas and electricity, and the availability of sources of fossil fuel, natural gas, purchased power, materials needed to operate environmental controls at our electric generating facilities, or water supply due to high demand, shortages, transportation problems, nonperformance by electric energy or natural gas suppliers under existing power purchase or natural gas supply contracts, or other developments;
- Changes in credit ratings, interest rates, and our ability to access the capital markets, caused by volatility in the global credit markets, our capitalization structure, and market perceptions of the utility industry, us, or any of our subsidiaries;
- Changes in the method of determining LIBOR or the replacement of LIBOR with an alternative reference rate;
- Costs and effects of litigation, administrative proceedings, investigations, settlements, claims, and inquiries;
- The direct or indirect effect on our business resulting from terrorist attacks and cyber security intrusions, as well as the threat of such incidents, including the failure to maintain the security of personally identifiable information, the associated costs to protect our utility assets, technology systems, and personal information, and the costs to notify affected persons to mitigate their information security concerns and to comply with state notification laws;
- Restrictions imposed by various financing arrangements and regulatory requirements on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances, that could prevent us from paying our common stock dividends, taxes, and other expenses, and meeting our debt obligations;

- The risk of financial loss, including increases in bad debt expense, associated with the inability of our customers, counterparties, and affiliates to meet their obligations;
- Changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading markets and fuel suppliers and transporters;
- The financial performance of ATC and its corresponding contribution to our earnings;
- The investment performance of our employee benefit plan assets, as well as unanticipated changes in related actuarial assumptions, which could impact future funding requirements;
- Factors affecting the employee workforce, including loss of key personnel, internal restructuring, work stoppages, and collective bargaining agreements and negotiations with union employees;
- Advances in technology, and related legislation or regulation supporting the use of that technology, that result in competitive disadvantages and create the potential for impairment of existing assets;
- The risk associated with the values of goodwill and other intangible assets and their possible impairment;
- Potential business strategies to acquire and dispose of assets or businesses, which cannot be assured to be completed timely or within budgets, and legislative or regulatory restrictions or caps on non-utility acquisitions, investments or projects, including the State of Wisconsin's public utility holding company law;
- The timing and outcome of any audits, disputes, and other proceedings related to taxes;
- The ability to maintain effective internal controls in accordance with SOX, while both integrating and continuing to consolidate our enterprise systems;
- The effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other considerations disclosed elsewhere herein and in other reports we file with the SEC or in other publicly disseminated written documents.

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

BUSINESS OF THE COMPANY

WEC Energy Group, Inc. was incorporated in the state of Wisconsin in 1981 and became a diversified holding company in 1986. On June 29, 2015, Wisconsin Energy Corporation acquired 100% of the outstanding common shares of Integrys Energy Group and changed its name to WEC Energy Group, Inc. We maintain our principal executive offices in Milwaukee, Wisconsin.

In this report, when we refer to "WEC Energy Group," "the Company," "us," "we," "our," or "ours," we are referring to WEC Energy Group, Inc. and all of its subsidiaries. The term "utility" refers to the regulated activities of our electric and natural gas utility companies, while the term "non-utility" refers to the activities of our electric and natural gas utility companies that are not regulated, as well as We Power and Bluewater. The term "nonregulated" refers to activities at WECI and our Corporate and Other Segment.

Our wholly owned subsidiaries are primarily engaged in the business of providing regulated electricity service in Wisconsin and Michigan; regulated natural gas service in Wisconsin, Illinois, Michigan, and Minnesota; and nonregulated renewable energy. In addition, we have an approximate 60% equity interest in ATC, an electric transmission company operating primarily in four states. At December 31, 2019, we conducted our operations in the six reportable segments discussed below.

WISCONSIN SEGMENT

The Wisconsin segment includes the electric and natural gas utility operations of WE, WPS, WG, and UMERC. At December 31, 2019, these companies served approximately 1,627,900 electric customers and 1,474,300 natural gas customers. This segment also includes steam service to approximately 400 WE steam customers in metropolitan Milwaukee, Wisconsin.

ILLINOIS SEGMENT

The Illinois segment includes the natural gas utility operations of PGL and NSG. The approximately 1,031,100 natural gas customers served by PGL and NSG at December 31, 2019, were located in Chicago and the northern suburbs of Chicago. PGL also owns and operates a 38.8 billion-cubic-foot natural gas storage field in central Illinois.

OTHER STATES SEGMENT

The other states segment includes the natural gas utility operations of MERC and MGU. These companies served approximately 420,500 natural gas customers at December 31, 2019, with MERC serving customers in various cities and communities throughout Minnesota, and MGU serving customers in southern and western Michigan.

ELECTRIC TRANSMISSION SEGMENT

The electric transmission segment includes our approximate 60% ownership interest in ATC, a for-profit, electric transmission company regulated by the FERC and certain state regulatory commissions. ATC owns, maintains, monitors, and operates electric transmission systems in Wisconsin, Michigan, Illinois, and Minnesota.

In addition, we own approximately 75% of ATC Holdco, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC’s traditional footprint.

NON-UTILITY ENERGY INFRASTRUCTURE SEGMENT

The non-utility energy infrastructure segment includes We Power, Bluewater, and WECI. We Power, through wholly owned subsidiaries, owns and leases certain generating facilities to WE. PWGS 1 and PWGS 2, both natural gas-fired generating units, are being leased to WE under long-term leases that run for 25 years. ER 1 and ER 2, both coal-fired generating units, are being leased to WE under long-term leases that run for 30 years. Bluewater owns natural gas storage facilities in southeast Michigan and provides natural gas storage and hub services for the natural gas operations of WE, WPS, and WG.

At December 31, 2019, our non-utility energy infrastructure segment included WECI's ownership interests in the three wind generating facilities reflected in the table below.

Name	Ownership Interest
Upstream (1)	80.0%
Bishop Hill III	90.0%
Coyote Ridge (2)	80.0%

(1) In February 2020, WECI signed an agreement to acquire an additional 10% ownership interest in Upstream.

(2) Coyote Ridge achieved commercial operation on December 20, 2019.

Bishop Hill III is located in Henry County, Illinois and has a 22-year offtake agreement with an unaffiliated third party for the sale of all energy produced by the facility. Upstream is located in Antelope County, Nebraska and has revenue that is substantially fixed over a 10-year period through an agreement with an unaffiliated third party. Coyote Ridge is located in Brookings County, South Dakota and has a 12-year offtake agreement with an unaffiliated third party for the sale of all energy produced by the facility.

In August 2019, WECI signed an agreement to acquire an 80% ownership interest in Thunderhead, a wind generating facility under construction in Nebraska. In addition, in January 2020, WECI signed an agreement to acquire an 80% ownership interest in Blooming Grove, a wind generating facility under construction in Illinois. In February 2020, WECI amended these agreements to acquire an additional 10% ownership interest in both Thunderhead and Blooming Grove.

CORPORATE AND OTHER SEGMENT

The corporate and other segment includes the operations of the WEC Energy Group holding company, the Integrys holding company, and the PELLC holding company, as well as the operations of Wispark, Bostco (prior to the sale of substantially all of its remaining assets in the first quarter of 2017 and its dissolution in October 2018), WBS, and PDL. This segment also includes Wisvest and WECC, which no longer have significant operations.

Wispark develops and invests in real estate and had $32.9 million in real estate holdings at December 31, 2019. WBS is a wholly owned centralized service company that provides administrative and general support services to our regulated entities, as well as certain services to our nonregulated entities. PDL owns a portfolio of residential solar systems.

CORPORATE DEVELOPMENTS

INTRODUCTION

We are a diversified holding company with natural gas and electric utility operations (serving customers in Wisconsin, Illinois, Michigan, and Minnesota), an approximately 60% equity ownership interest in American Transmission Company LLC (ATC) (a for-profit electric transmission company regulated by the FERC and certain state regulatory commissions), and non-utility energy infrastructure operations through We Power (which owns generation assets in Wisconsin), Bluewater (which owns underground natural gas storage facilities in Michigan), and WEC Infrastructure LLC (WECI), which holds ownership interests in several wind generating facilities.

In August 2019, WECI signed an agreement to acquire an 80% ownership interest in Thunderhead Wind Energy LLC, a 300 MW wind generating facility under construction in Antelope and Wheeler counties in Nebraska. In January 2020, WECI signed an agreement to acquire an 80% ownership interest in Blooming Grove Wind Energy Center LLC, a 250 MW wind generating facility under construction in McLean County, Illinois. See Note 2, Acquisitions, for more information.

CORPORATE STRATEGY

Our goal is to continue to build and sustain long-term value for our shareholders and customers by focusing on the fundamentals of our business: reliability; operating efficiency; financial discipline; customer care; and safety.

Reshaping Our Generation Fleet

The planned reshaping of our generation fleet balances reliability and customer cost with environmental stewardship. Taken as a whole, this plan should reduce costs to customers, preserve fuel diversity, and lower carbon emissions. Generation reshaping includes retiring older fossil fuel generation units, building state-of-the-art natural gas generation, and investing in cost-effective zero-carbon generation. In 2019, we met and exceeded our 2030 goal of reducing CO_2 emissions by 40% below 2005 levels, and are re-evaluating our longer-term CO_2 reduction goals. We have already retired more than 1,800 MW of coal-fired generation since the beginning of 2018, and expect to continue adding natural gas-fired generating units and renewable generation, including utility-scale solar projects. The plan included the March 2019 retirement of the Presque Isle power plant as well as the 2018 retirements of the Pleasant Prairie power plant, the Pulliam power plant, and the jointly-owned Edgewater Unit 4 generating units. See Note 6, Property, Plant, and Equipment, for more information related to these power plant retirements.

As part of our commitment to invest in zero-carbon generation, we have either filed for or received approval to invest in 300 MW of utility-scale solar within our Wisconsin segment. Wisconsin Public Service Corporation (WPS) has partnered with an unaffiliated utility to construct two solar projects in Wisconsin. Badger Hollow Solar Farm I is located in Iowa County, Wisconsin, and the Two Creeks Solar Project is located in Manitowoc County, Wisconsin. Once constructed, WPS will own 100 MW of the output of each project for a total of 200 MW. The Public Service Commission of Wisconsin (PSCW) approved the acquisition of these two projects in April 2019. Construction began at the Two Creeks Solar Project and the Badger Hollow Solar Farm I in August 2019 and October 2019, respectively. Commercial operation of both projects is targeted for the end of 2020. Wisconsin Electric Power Company (WE) has partnered with an unaffiliated utility to acquire an ownership interest in a proposed solar project, Badger Hollow Solar Farm II, that will be located in Iowa County, Wisconsin. At its meeting on February 20, 2020, the PSCW approved the acquisition of this project. The approval is still subject to WE's receipt and review of a final written order from the PSCW. Once constructed, WE will own 100 MW of the output of this project. Commercial operation of Badger Hollow Solar Farm II is targeted for the end of 2021.

In December 2018, WE received approval from the PSCW for two renewable energy pilot programs. The Solar Now pilot is expected to add 35 MW of solar generation to WE's portfolio, allowing non-profit and government entities, as well as commercial and industrial customers to site utility owned solar arrays on their property. Under this program, in 2019, WE constructed 5 MW of solar generation and expects to construct more than double that amount in 2020. The second program, the Dedicated Renewable Energy Resource pilot, would allow large commercial and industrial customers to access renewable resources that WE would operate, adding up to 150 MW of renewables to WE's portfolio, and allowing these larger customers to meet their sustainability and renewable energy goals.

As the cost of renewable energy generation continues to decline, these utility-scale solar projects and the WE pilot programs have become cost effective opportunities for WEC Energy Group and our customers to participate in renewable energy.

We also have a goal to decrease the rate of methane emissions from the natural gas distribution lines in our network by 30% per mile by the year 2030 from a 2011 baseline. We were over half way toward meeting that goal at the end of 2019.

Reliability

We have made significant reliability-related investments in recent years, and plan to continue strengthening and modernizing our generation fleet and distribution networks to further improve reliability. Our investments, coupled with our commitment to operating efficiency and customer care, resulted in We Energies and WPS being recognized by PA Consulting Group, an independent consulting firm, for superior reliability of their electric delivery networks. This is the ninth consecutive year that We Energies has been named the most reliable utility in the Midwest and the first time WPS has been recognized.

Below are a few examples of reliability projects that are proposed or currently underway.

- WE and Wisconsin Gas LLC (WG) each plan to construct their own LNG facility. Subject to PSCW approval, each facility would provide approximately one billion cubic feet of natural gas supply to meet anticipated peak demand without requiring the construction of additional interstate pipeline capacity. These facilities are expected to reduce the likelihood of constraints on WE's and WG's natural gas systems during the highest demand days of winter. Commercial operation of the LNG facilities is targeted for the end of 2023.
- The Peoples Gas Light and Coke Company continues to work on its Natural Gas System Modernization Program, which primarily involves replacing old cast and ductile iron pipes and facilities in Chicago’s natural gas delivery system with modern polyethylene pipes to reinforce the long-term safety and reliability of the system.
- WPS continues work on its System Modernization and Reliability Project, which involves modernizing parts of its electric distribution system, including burying or upgrading lines. The project focuses on constructing facilities to improve the reliability of electric service WPS provides to its customers. WE, WPS, and WG also continue to upgrade their electric and natural gas distribution systems to enhance reliability.

Operating Efficiency

We continually look for ways to optimize the operating efficiency of our company. For example, we are making progress on our Advanced Metering Infrastructure program, replacing aging meter-reading equipment on both our network and customer property. An integrated system of smart meters, communication networks, and data management programs enables two-way communication between our utilities and our customers. This program reduces the manual effort for disconnects and reconnects and enhances outage management capabilities.

We continue to focus on integrating resources of all our businesses and finding the best and most efficient processes while meeting all applicable legal and regulatory requirements. We also strive to provide the best value to our customers and shareholders by embracing constructive change, leveraging capabilities and expertise, and using creative solutions to meet or exceed our customers' expectations.

Financial Discipline

A strong adherence to financial discipline is essential to meeting our earnings projections and maintaining a strong balance sheet, stable cash flows, a growing dividend, and quality credit ratings.

We follow an asset management strategy that focuses on investing in and acquiring assets consistent with our strategic plans, as well as disposing of assets, including property, plants, equipment, and entire business units, that are no longer strategic to operations, are not performing as intended, or have an unacceptable risk profile.

- See Note 2, Acquisitions, for information about our acquisitions of portions of wind energy generation facilities in Wisconsin, Illinois, Nebraska, and South Dakota.
- See Note 3, Dispositions, for information on recent dispositions. In the first quarter of 2017, we sold substantially all of the remaining assets of Bostco LLC, and, in October 2018, Bostco was dissolved. In 2019, we sold certain WPS Power Development, LLC solar power generation facilities.

Our investment focus remains in our regulated utility and non-utility energy infrastructure businesses, as well as our investment in ATC. We expect total capital expenditures for our regulated utility and non-utility energy infrastructure businesses to be approximately $13.7 billion from 2020 to 2024. Specific projects are discussed in more detail below under Liquidity and Capital Resources.

From 2020 to 2024, we expect capital contributions to ATC to be approximately $150 million. Capital investments at ATC will be funded utilizing these capital contributions, in addition to cash generated by ATC from operations and debt. We currently forecast that our share of ATC's projected capital expenditures over the next five years will be $1.3 billion.

Exceptional Customer Care

Our approach is driven by an intense focus on delivering exceptional customer care every day. We strive to provide the best value for our customers by embracing constructive change, demonstrating personal responsibility for results, leveraging our capabilities and expertise, and using creative solutions to meet or exceed our customers' expectations.

Safety

We have a long-standing commitment to both workplace and public safety, and under our "Target Zero" mission, we have an ultimate goal of zero incidents, accidents, and injuries. We also set goals around injury-prevention activities that raise awareness and facilitate conversations about employee safety. Our corporate safety program provides a forum for addressing employee concerns, training employees and contractors on current safety standards, and recognizing those who demonstrate a safety focus.

RESULTS OF OPERATIONS

The following discussion and analysis of our Results of Operations includes comparisons of our results for the year ended December 31, 2019 with the year ended December 31, 2018. For a similar discussion that compares our results for the year ended December 31, 2018 with the year ended December 31, 2017, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations in our 2018 Annual Report.

CONSOLIDATED EARNINGS

The following table compares our consolidated results for the year ended December 31, 2019 with the year ended December 31, 2018, including favorable or better, "B", and unfavorable or worse, "W", variances:

	Year Ended December 31					
(in millions, except per share data)	**2019**	**2018**	**B (W)**	**Change Related to Flow Through of Tax Repairs**	**Change Related to Adoption of New Lease Guidance (Topic 842)**	**Remaining Change B (W)**
Wisconsin	**$ 1,189.6**	$ 800.2	$ 389.4	$ (3.1)	$ 350.9	$ 41.6
Illinois	**291.9**	255.8	36.1	—	—	36.1
Other states	**65.3**	68.8	(3.5)	—	—	(3.5)
Non-utility energy infrastructure	**366.6**	365.8	0.8	—	—	0.8
Corporate and other	**(34.4)**	(22.2)	(12.2)	—	—	(12.2)
Reconciling eliminations *	**(347.6)**	—	(347.6)	—	(347.6)	—
Total operating income	**1,531.4**	1,468.4	63.0	(3.1)	3.3	62.8
Equity in earnings of transmission affiliates	**127.6**	136.7	(9.1)	—	—	(9.1)
Other income, net	**102.2**	70.3	31.9	—	—	31.9
Interest expense	**501.5**	445.1	(56.4)	—	(3.3)	(53.1)
Income before income taxes	**1,259.7**	1,230.3	29.4	(3.1)	—	32.5
Income tax expense	**125.0**	169.8	44.8	3.1	—	41.7
Preferred stock dividends of subsidiary	**1.2**	1.2	—	—	—	—
Net loss attributed to noncontrolling interests	**0.5**	—	0.5	—	—	0.5
Net income attributed to common shareholders	**$ 1,134.0**	$ 1,059.3	$ 74.7	$ —	$ —	$ 74.7
Diluted earnings per share	**$ 3.58**	$ 3.34	$ 0.24			

* We adopted ASU 2016-02, Leases (Topic 842), effective January 1, 2019, which revised the previous guidance regarding the accounting for leases. As a result of this adoption, during 2019, $347.6 million of minimum lease payments that were billed from We Power to WE were no longer classified within operation and maintenance, but were instead recorded as interest expense in accordance with Topic 842. The We Power leases do not impact our financial statements as all amounts associated with the leases are eliminated at the consolidated level.

Earnings increased $74.7 million during 2019, compared with 2018. The table above shows the income statement impacts associated with the flow through of tax repairs beginning January 1, 2018 and the adoption of Topic 842, effective January 1, 2019. As shown in the table above, the changes related to these items had no impact on net income attributed to common shareholders.

The significant factors impacting the $74.7 million increase in earnings were:

- A $41.7 million remaining decrease in income tax expense, primarily due to an increase in wind production tax credits related to acquisitions of ownership interests in wind generation facilities in our non-utility energy infrastructure segment and the impact of the 2018 PSCW order regarding the benefits associated with the Tax Legislation. The impacts from the 2018 PSCW order related to the Tax Legislation were offset in operating income at the Wisconsin segment. See Note 2, Acquisitions, for more information on the acquisitions in our non-utility energy infrastructure segment.
- A $41.6 million remaining increase in operating income at the Wisconsin segment. The increase was driven by lower operation and maintenance expense related to our power plants, which primarily resulted from lower maintenance and labor costs associated with our 2019 and 2018 plant retirements, and increases to certain plant-related regulatory assets resulting from decisions included in the December 2019 Wisconsin rate orders. The positive impact from lower operation and maintenance expense was partially offset by a decrease in electric margins related to lower retail sales volumes, primarily driven by cooler summer weather during 2019 compared with 2018; higher depreciation and amortization expense, driven by assets being placed into service as we continue to execute on our capital plan; and the impact from the PSCW's 2018 order addressing the Tax Legislation, which was offset in income tax expense.
- A $36.1 million increase in operating income at the Illinois segment. The increase was driven by higher natural gas margins at PGL due to continued capital investment in the SMP project under its QIP rider.
- A $31.9 million increase in other income, net, driven by net gains from investments held in the Integrys rabbi trust during 2019, compared with net losses during 2018. These investment gains partially offset benefits costs related to deferred compensation, which are included in other operation and maintenance expense. See Note 16, Fair Value Measurements, for more information on our investments held in the Integrys rabbi trust. Also contributing to the increase was higher net credits from the non-service components of our net periodic pension and OPEB costs. See Note 19, Employee Benefits, for more information on our benefit costs.

These increases in earnings were partially offset by:

- A $53.1 million remaining increase in interest expense, driven by higher long-term debt balances, primarily used to fund capital investments.
- A $12.2 million increase in operating loss at the corporate and other segment, primarily driven by the transfer of assets from WBS, our centralized services company, to our regulated utilities in 2018. As a result of these transfers, the return on these assets is now recognized within our regulated utility operations. Also contributing to the increase in operating loss was a gain recorded in the third quarter of 2018 that related to the sale of a legacy business.
- A $9.1 million decrease in earnings from our ownership interests in transmission affiliates, driven by the impact of a FERC order issued in November 2019 that addressed complaints related to ATC's allowed ROE. Increased earnings from continued capital investment partially offset the negative impact from the FERC order.

Non-GAAP Financial Measures

The discussions below address the operating income contribution of each of our segments and include financial information prepared in accordance with GAAP, as well as electric margins and natural gas margins, which are not measures of financial performance under GAAP. Electric margin (electric revenues less fuel and purchased power costs) and natural gas margin (natural gas revenues less cost of natural gas sold) are non-GAAP financial measures because they exclude other operation and maintenance expense, depreciation and amortization, and property and revenue taxes.

We believe that electric and natural gas margins provide a useful basis for evaluating utility operations since the majority of prudently incurred fuel and purchased power costs, as well as prudently incurred natural gas costs, are passed through to customers in current rates. As a result, management uses electric and natural gas margins internally when assessing the operating performance of our segments as these measures exclude the majority of revenue fluctuations caused by changes in these expenses. Similarly, the presentation of electric and natural gas margins herein is intended to provide supplemental information for investors regarding our operating performance.

Our electric margins and natural gas margins may not be comparable to similar measures presented by other companies. Furthermore, these measures are not intended to replace operating income as determined in accordance with GAAP as an indicator of our segment operating performance. Operating income for each of the last two fiscal years for each of our segments is presented in the “Consolidated Earnings” table above.

Each applicable segment operating income discussion below includes a table that provides the calculation of electric margins and natural gas margins, as applicable, along with a reconciliation to segment operating income.

WISCONSIN SEGMENT CONTRIBUTION TO OPERATING INCOME

	Year Ended December 31		
(in millions)	**2019**	**2018**	**B (W)**
Electric revenues	**$ 4,317.6**	$ 4,438.9	$ (121.3)
Fuel and purchased power	**1,341.9**	1,418.1	76.2
Total electric margins	**2,975.7**	3,020.8	(45.1)
Natural gas revenues	**1,329.5**	1,355.8	(26.3)
Cost of natural gas sold	**748.0**	792.1	44.1
Total natural gas margins	**581.5**	563.7	17.8
Total electric and natural gas margins	**3,557.2**	3,584.5	(27.3)
Other operation and maintenance	**1,591.3**	2,076.1	484.8
Depreciation and amortization	**617.0**	546.6	(70.4)
Property and revenue taxes	**159.3**	161.6	2.3
Operating income	**$ 1,189.6**	$ 800.2	$ 389.4

The following table shows a breakdown of other operation and maintenance:

	Year Ended December 31		
(in millions)	**2019**	**2018**	**B (W)**
Operation and maintenance not included in line items below	**$ 670.7**	$ 769.5	$ 98.8
We Power [(1)]	**140.9**	506.9	366.0
Transmission [(2)]	**418.1**	420.7	2.6
Transmission expense related to the flow through of tax repairs [(3)]	**67.2**	77.8	10.6
Transmission expense related to Tax Legislation [(4)]	**65.3**	67.7	2.4
Regulatory amortizations and other pass through expenses [(5)]	**160.6**	159.1	(1.5)
Earnings sharing mechanisms [(6)]	**61.5**	67.5	6.0
Other	**7.0**	6.9	(0.1)
Total other operation and maintenance	**$ 1,591.3**	$ 2,076.1	$ 484.8

(1) Represents costs associated with the We Power generation units, including operating and maintenance costs incurred by WE. During 2018, the amount also included the lease payments that were billed from We Power to WE and then recovered in WE's rates. We adopted ASU 2016-02, Leases (Topic 842), effective January 1, 2019, which revised the previous guidance regarding the accounting for leases. As a result of this adoption, during 2019, $363.3 million of lease expense related to the We Power leases with WE was no longer classified within other operation and maintenance, but was instead recorded as $15.8 million and $347.5 million of depreciation and amortization and interest expense, respectively, in accordance with Topic 842. The We Power leases do not impact our financial statements as all amounts associated with the leases are eliminated at the consolidated level.

During 2019, $134.8 million of operating and maintenance costs were billed to or incurred by WE related to the We Power generation units, with the difference in costs billed or incurred and expenses recognized, either deferred or deducted from the regulatory asset. During 2018, $485.3 million of both lease and operating and maintenance costs were billed to or incurred by WE related to the We Power generation units, with the difference in costs billed or incurred and expenses recognized, either deferred or deducted from the regulatory asset.

(2) Represents transmission expense that we are authorized to collect in rates, in accordance with the PSCW's approval of escrow accounting for ATC and MISO network transmission expenses for our Wisconsin electric utilities. As a result, WE and WPS defer as a regulatory asset or liability the differences between actual transmission costs and those included in rates until recovery or refund is authorized in a future rate proceeding. During 2019 and 2018, $486.7 million and $438.2 million, respectively, of costs were billed to our electric utilities by transmission providers.

(3) Represents additional transmission expense associated with WE's flow through of tax benefits of its repair-related deferred tax liabilities starting in 2018, in accordance with a settlement agreement with the PSCW, to maintain certain regulatory asset balances at their December 31, 2017 levels. See Note 25, Regulatory Environment, for more information. The decrease in transmission expense associated with the flow through of tax benefits is offset in income taxes.

(4) Represents additional transmission expense associated with the May 2018 PSCW order requiring WE to use 80% of its current 2018 tax benefit, including the amortization associated with the revaluation of deferred taxes, to reduce its transmission regulatory asset balance. See Note 25, Regulatory Environment, for more information.

(5) Regulatory amortizations and other pass through expenses are substantially offset in margins and therefore do not have a significant impact on operating income.

(6) See Note 25, Regulatory Environment, for more information about our earnings sharing mechanisms.

The following tables provide information on delivered volumes by customer class and weather statistics:

	Year Ended December 31		
	MWh *(in thousands)*		
Electric Sales Volumes	**2019**	**2018**	**B (W)**
Customer class			
Residential	**10,918.6**	11,195.0	(276.4)
Small commercial and industrial *	**12,861.0**	13,186.7	(325.7)
Large commercial and industrial *	**12,601.6**	12,946.5	(344.9)
Other	**164.8**	169.0	(4.2)
Total retail *	**36,546.0**	37,497.2	(951.2)
Wholesale	**3,314.3**	3,612.7	(298.4)
Resale	**6,006.0**	6,019.3	(13.3)
Total sales in MWh *	**45,866.3**	47,129.2	(1,262.9)

* Includes distribution sales for customers who have purchased power from an alternative electric supplier in Michigan.

	Year Ended December 31		
	Therms *(in millions)*		
Natural Gas Sales Volumes	**2019**	**2018**	**B (W)**
Customer class			
Residential	**1,195.6**	1,131.1	64.5
Commercial and industrial	**740.9**	733.1	7.8
Total retail	**1,936.5**	1,864.2	72.3
Transport	**1,426.1**	1,411.5	14.6
Total sales in therms	**3,362.6**	3,275.7	86.9

	Year Ended December 31		
	Degree Days		
Weather	**2019**	**2018**	**B (W)**
WE and WG (1)			
Heating (6,556 normal)	**6,835**	6,685	2.2 %
Cooling (739 normal)	**727**	929	(21.7)%
WPS (2)			
Heating (7,381 normal)	**7,723**	7,554	2.2 %
Cooling (514 normal)	**504**	678	(25.7)%
UMERC (3)			
Heating (8,382 normal)	**8,971**	8,611	4.2 %
Cooling (333 normal)	**284**	478	(40.6)%

(1) Normal degree days are based on a 20-year moving average of monthly temperatures from Mitchell International Airport in Milwaukee, Wisconsin.

(2) Normal degree days are based on a 20-year moving average of monthly temperatures from the Green Bay, Wisconsin weather station.

(3) Normal degree days are based on a 20-year moving average of monthly temperatures from the Iron Mountain, Michigan weather station.

2019 Compared with 2018

Electric Utility Margins

Electric utility margins at the Wisconsin segment decreased $45.1 million during 2019, compared with 2018. The significant factors impacting the lower electric utility margins were:

- A $54.1 million decrease related to lower sales volumes, primarily driven by cooler summer weather during 2019 compared with 2018. As measured by cooling degree days, 2019 was 21.7% and 25.7% cooler than 2018 in the Milwaukee and Green Bay areas, respectively.

- A $13.7 million decrease in margins associated with WE's flow through of tax benefits of its repair-related deferred tax liabilities starting in 2018 in accordance with a settlement agreement with the PSCW to maintain certain regulatory assets at their December 31, 2017 levels. This decrease in margins was offset in income taxes. See Note 25, Regulatory Environment, for more information.
- A $6.8 million decrease in margins related to savings from the Tax Legislation that we are required to return to customers through bill credits or reductions in other regulatory assets. This decrease in margins did not impact net income as it was offset by the net impact of a $22.0 million decrease in income taxes and a $15.2 million increase in depreciation and amortization expense. We received the PSCW order in May 2018, which required WPS to use 40% of its 2018 and 2019 tax benefits associated with the Tax Legislation to reduce certain regulatory assets. See Note 15, Income Taxes, and Note 25, Regulatory Environment, for more information.

These decreases in margins were partially offset by:

- A $16.3 million increase in margins related to the iron ore mine located in the Upper Peninsula of Michigan. Prior to the transfer of the mine as a full requirements customer of WE to UMERC as of April 1, 2019, the margin from the mine was being deferred for the benefit of Wisconsin retail electric customers, as ordered by the PSCW. On March 31, 2019 when the new generation solution in the Upper Peninsula began commercial operation, a new 20 year agreement with Tilden became effective under which Tilden began purchasing electric power from UMERC. Half of the cost of the generation solution is being recovered from Tilden under this new agreement.
- A $5.3 million increase in margins related to a net decrease in fuel and purchased power costs driven by the commercial operation of UMERC's new generation solution in the Upper Peninsula of Michigan on March 31, 2019. UMERC previously met its market obligations through power purchase agreements.

Natural Gas Utility Margins

Natural gas utility margins at the Wisconsin segment increased $17.8 million during 2019, compared with 2018. The most significant factor impacting the higher natural gas utility margins was higher sales volumes, due in part to colder winter weather, customer growth, and higher use per residential customer during 2019, compared with 2018. As measured by heating degree days, 2019 was 2.2% colder than 2018 in the Milwaukee and Green Bay areas.

Operating Income

Operating income at the Wisconsin segment increased $389.4 million during 2019, compared with 2018. This increase was driven by $416.7 million of lower operating expenses (which include other operation and maintenance, depreciation and amortization, and property and revenue taxes), partially offset by the $27.3 million net decrease in margins discussed above.

The utility segment experienced lower overall operating expenses related to efficiencies and effective cost control. The other significant factors impacting the decrease in operating expenses during 2019, compared with 2018, were:

- A $363.3 million decrease in other operation and maintenance expense resulting from the adoption of the new lease guidance. As discussed in the other operation and maintenance table above, the adoption of Topic 842, effective January 1, 2019, required WE to change the income statement classification of its lease payments related to the We Power leases. During 2019, the minimum lease payments that were billed from We Power to WE were no longer classified within other operation and maintenance, but were instead recorded as a component of depreciation and amortization and interest expense in accordance with Topic 842.
- A $107.6 million decrease in other operation and maintenance expense related to our power plants, driven by lower maintenance and labor costs associated with our 2019 and 2018 plant retirements, and increases to certain plant-related regulatory assets resulting from decisions included in the December 2019 Wisconsin rate orders. Plant retirements included the March 2019 retirement of the PIPP as well as the 2018 retirements of the Pleasant Prairie power plant, Edgewater Unit 4, and Pulliam Units 7 and 8. See Note 6, Property, Plant, and Equipment, for more information on the plant retirements. See Note 25, Regulatory Environment, for more information on the Wisconsin rate orders.
- A $10.6 million decrease in transmission expense in 2019 related to the flow through of tax repairs, as discussed in the other operation and maintenance table above. This decrease in transmission expense was offset in income taxes.
- A $6.0 million decrease in expense related to the earnings sharing mechanisms in place at our Wisconsin utilities. See Note 25, Regulatory Environment, for more information.

These decreases in operating expenses were partially offset by:

- A $70.4 million increase in depreciation and amortization, driven by assets being placed into service as we continue to execute on our capital plan, an increase related to the reduction of certain regulatory assets as a result of the PSCW's May

2018 order addressing the Tax legislation and offset in electric margins above, and additional expense recognized related to the adoption of Topic 842, as discussed in the notes under the other operation and maintenance table above.

- A $16.4 million increase in storm restoration expense during 2019.
- A $16.3 million net increase in benefit costs, primarily related to higher deferred compensation costs during 2019.

ILLINOIS SEGMENT CONTRIBUTION TO OPERATING INCOME

Since the majority of PGL and NSG customers use natural gas for heating, operating income is sensitive to weather and is generally higher during the winter months.

	Year Ended December 31		
(in millions)	2019	2018	B (W)
Natural gas revenues	**$ 1,357.1**	$ 1,400.0	$ (42.9)
Cost of natural gas sold	**401.4**	480.5	79.1
Total natural gas margins	**955.7**	919.5	36.2
Other operation and maintenance	**461.1**	472.3	11.2
Depreciation and amortization	**181.3**	170.3	(11.0)
Property and revenue taxes	**21.4**	21.1	(0.3)
Operating income	**$ 291.9**	$ 255.8	$ 36.1

The following table shows a breakdown of other operation and maintenance:

	Year Ended December 31		
(in millions)	2019	2018	B (W)
Operation and maintenance not included in the line items below	**$ 362.2**	$ 372.9	$ 10.7
Riders *	**97.5**	95.3	(2.2)
Regulatory amortizations *	**(1.5)**	(1.4)	0.1
Other	**2.9**	5.5	2.6
Total other operation and maintenance	**$ 461.1**	$ 472.3	$ 11.2

* These riders and regulatory amortizations are substantially offset in margins and therefore do not have a significant impact on operating income.

The following tables provide information on delivered volumes by customer class and weather statistics:

	Therms *(in millions)*		
Natural Gas Sales Volumes	2019	2018	B (W)
Customer Class			
Residential	**904.8**	896.2	8.6
Commercial and industrial	**368.6**	358.3	10.3
Total retail	**1,273.4**	1,254.5	18.9
Transport	**896.6**	905.1	(8.5)
Total sales in therms	**2,170.0**	2,159.6	10.4

	Degree Days		
Weather *	2019	2018	B (W)
Heating (6,122 normal)	**6,479**	6,327	2.4%

* Normal heating degree days are based on a 12-year moving average of monthly temperatures from Chicago's O'Hare Airport.

2019 Compared with 2018

Natural Gas Utility Margins

Natural gas utility margins at the Illinois segment, net of the $2.2 million impact of the riders referenced in the table above, increased $34.0 million during 2019, compared with 2018. The increase was primarily driven by an increase in revenue at PGL due to continued capital investment in the SMP project under its QIP rider. PGL currently recovers the costs related to the SMP through a surcharge on customer bills pursuant to an ICC approved QIP rider, which is in effect through 2023. See Note 25, Regulatory Environment, for more information.

Operating Income

Operating income at the Illinois segment increased $36.1 million during 2019, compared with 2018. This increase was driven by the $34.0 million net increase in margins discussed above, as well as $2.1 million of lower operating expenses (which include other operation and maintenance, depreciation and amortization, and property and revenue taxes), net of the impact of the riders referenced in the table above.

The significant factor impacting the decrease in operating expenses during 2019, compared with 2018, was a $23.2 million decrease in natural gas maintenance costs related to our Illinois utilities' distribution systems.

This decrease in operating expenses was partially offset by:

- An $11.0 million increase in depreciation and amortization, primarily driven by PGL's continued capital investment in the SMP project.
- An $8.4 million increase in benefit costs, primarily related to higher deferred compensation costs in 2019.

OTHER STATES SEGMENT CONTRIBUTION TO OPERATING INCOME

Since the majority of MERC and MGU customers use natural gas for heating, operating income is sensitive to weather and is generally higher during the winter months.

	Year Ended December 31		
(in millions)	2019	2018	B (W)
Natural gas revenues	$ **426.0**	$ 438.2	$ (12.2)
Cost of natural gas sold	**217.5**	232.8	15.3
Total natural gas margins	**208.5**	205.4	3.1
Other operation and maintenance	**98.5**	101.0	2.5
Depreciation and amortization	**27.5**	24.1	(3.4)
Property and revenue taxes	**17.2**	11.5	(5.7)
Operating income	$ **65.3**	$ 68.8	$ (3.5)

The following table shows a breakdown of other operation and maintenance:

	Year Ended December 31		
(in millions)	2019	2018	B (W)
Operation and maintenance not included in line items below	$ **76.4**	$ 76.1	$ (0.3)
Regulatory amortizations and other pass through expenses *	**22.0**	24.8	2.8
Other	**0.1**	0.1	—
Total other operation and maintenance	$ **98.5**	$ 101.0	$ 2.5

* Regulatory amortizations and other pass through expenses are substantially offset in margins and therefore do not have a significant impact on operating income.

The following tables provide information on delivered volumes by customer class and weather statistics:

	Therms *(in millions)*		
Natural Gas Sales Volumes	2019	2018	B (W)
Customer Class			
Residential	**345.2**	336.1	9.1
Commercial and industrial	**238.2**	218.5	19.7
Total retail	**583.4**	554.6	28.8
Transport	**777.1**	738.7	38.4
Total sales in therms	**1,360.5**	1,293.3	67.2

Weather *	Degree Days 2019	2018	B (W)
MERC			
Heating (7,934 normal)	**8,728**	8,490	2.8 %
MGU			
Heating (6,245 normal)	**6,347**	6,368	(0.3)%

* Normal heating degree days for MERC and MGU are based on a 20-year moving average and 15-year moving average, respectively, of monthly temperatures from various weather stations throughout their respective territories.

2019 Compared with 2018

Natural Gas Utility Margins

Natural gas utility margins increased $3.1 million during 2019, compared with 2018. The increase was primarily driven by higher sales volumes as a result of colder weather and customer growth, as well as capital investment in natural gas utility infrastructure. MERC began recognizing revenue under its new GUIC rider in the second quarter of 2019. The GUIC rider allows MERC to recover previously approved GUIC that were incurred to replace or modify natural gas facilities to the extent the work was required by state, federal, or other government agencies and exceed the costs included in base rates. These increases were partially offset by volumetric bill credits MGU is required to provide customers under a MPUC order addressing the effects of the Tax Legislation to return tax savings from the ruling. See Note 15, Income Taxes, and Note 25, Regulatory Environment, for more information.

Operating Income

Operating income at the other states segment decreased $3.5 million during 2019, compared with 2018. The decrease was driven by a $6.6 million increase in operating expenses (which include other operation and maintenance, depreciation and amortization, and property and revenue taxes) partially offset by the increase in margins discussed above. The increase in operating expenses was partially driven by lower property and revenue taxes in 2018 resulting from a favorable judgment that MERC received related to a property tax matter. Because property taxes were under-recovered from rate payers in prior years, MERC received $4.8 million of the judgment, with the remaining amount being passed back to customers through the property tax tracker. The increase was also driven by a $2.1 million positive impact on 2018 depreciation and amortization expense from a depreciation study approved by the MPUC in the second quarter of 2018. These rates were effective retroactively to January 2017.

NON-UTILITY ENERGY INFRASTRUCTURE SEGMENT CONTRIBUTION TO OPERATING INCOME

(in millions)	Year Ended December 31 2019	2018	B (W)
Operating income	**$ 366.6**	$ 365.8	$ 0.8

2019 Compared with 2018

Operating income at the non-utility energy infrastructure segment increased $0.8 million during 2019, compared with 2018. Operating income at We Power increased $4.8 million, driven by higher revenues in connection with capital additions to the plants We Power owns and leases to WE. Higher operating income at We Power was partially offset by operating losses at the Upstream and Bishop Hill III wind generation facilities. The majority of earnings from our ownership interests in wind generation facilities come in the form of wind production tax credits, and are recognized as an offset to income tax expense. For more information on Upstream and Bishop Hill III, see Note 2, Acquisitions.

CORPORATE AND OTHER SEGMENT CONTRIBUTION TO OPERATING INCOME

(in millions)	Year Ended December 31 2019	2018	B (W)
Operating loss	**$ (34.4)**	$ (22.2)	$ (12.2)

2019 Compared with 2018

The operating loss at the corporate and other segment increased $12.2 million during 2019, compared with 2018, primarily driven by the transfer of assets from WBS, our centralized services company, to our regulated utilities in 2018. As a result of these transfers, the return on these assets is now recognized within our regulated utility operations. Also contributing to the increase in operating loss was a gain recorded in the third quarter of 2018 that related to a previous sale of a legacy business.

ELECTRIC TRANSMISSION SEGMENT OPERATIONS

	Year Ended December 31		
(in millions)	2019	2018	B (W)
Equity in earnings of transmission affiliates	**$ 127.6**	$ 136.7	$ (9.1)

2019 Compared with 2018

Earnings from our electric transmission segment operations, primarily related to our investment in ATC, decreased $9.1 million during 2019, compared with 2018. A $19.3 million decrease in ATC's earnings was the result of a FERC order issued in November 2019 that addressed complaints related to ATC's allowed ROE. Increased earnings from continued capital investment partially offset the negative impact from the FERC order.

CONSOLIDATED OTHER INCOME, NET

	Year Ended December 31		
(in millions)	2019	2018	B (W)
AFUDC – Equity	**$ 14.4**	$ 15.2	$ (0.8)
Non-service components of net periodic benefit costs	**36.2**	26.0	10.2
Gains (losses) from investments held in rabbi trust	**21.2**	(1.8)	23.0
Other, net	**30.4**	30.9	(0.5)
Other income, net	**$ 102.2**	$ 70.3	$ 31.9

2019 Compared with 2018

Other income, net increased $31.9 million during 2019, compared with 2018. An increase of $23.0 million was due to net gains from investments held in the Integrys rabbi trust during 2019, compared with net losses during 2018. These investment gains partially offset benefits costs related to deferred compensation, which are included in other operation and maintenance expense. See Note 16, Fair Value Measurements, for more information on our investments held in the Integrys rabbi trust. Also contributing to the increase was $10.2 million of higher net credits from the non-service components of our net periodic pension and OPEB costs. See Note 19, Employee Benefits, for more information on our benefit costs.

CONSOLIDATED INTEREST EXPENSE

	Year Ended December 31		
(in millions)	2019	2018	B(W)
Interest expense	**$ 501.5**	$ 445.1	$ (56.4)

2019 Compared with 2018

Interest expense increased $56.4 million during 2019, compared with 2018. The increase was primarily due to higher long-term debt balances. This increase in debt balances was primarily related to continued capital investments.

CONSOLIDATED INCOME TAX EXPENSE

	Year Ended December 31		
	2019	2018	B (W)
Effective tax rate	**9.9%**	13.8%	3.9%

2019 Compared with 2018

Our effective tax rate was 9.9% in 2019, compared to 13.8% in 2018. The 3.9% decrease in the effective tax rate was primarily due to an increase in wind production tax credits related to acquisitions of ownership interests in wind generation facilities in our non-utility energy infrastructure segment, the impact of the 2018 PSCW order regarding the benefits associated with the Tax

Legislation, and the increased benefit from the flow through of tax repairs in connection with the 2017 Wisconsin rate settlement. The impacts from the 2018 PSCW order related to the Tax Legislation and the flow through of tax repairs were offset in operating income at the Wisconsin segment. See Note 2, Acquisitions, Note 15, Income Taxes, and Note 25, Regulatory Environment, for more information.

We expect our 2020 annual effective tax rate to be between 16% and 17%, which includes an estimated 4% effective tax rate benefit due to the amortization of unprotected excess deferred taxes in connection with the 2019 Wisconsin rate orders. Excluding this estimated effective tax rate benefit, the expected 2020 range would be between 20% and 21%.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion and analysis of our Liquidity and Capital Resources includes comparisons of our cash flows for the year ended December 31, 2019 with the year ended December 31, 2018. For a similar discussion that compares our cash flows for the year ended December 31, 2018 with the year ended December 31, 2017, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources in our 2018 Annual Report.

CASH FLOWS

The following table summarizes our cash flows during the years ended December 31:

(in millions)	2019	2018	Change in 2019 Over 2018
Cash provided by (used in):			
Operating activities	**$ 2,345.5**	$ 2,445.5	$ (100.0)
Investing activities	**(2,494.9)**	(2,384.4)	(110.5)
Financing activities	**85.6**	26.4	59.2

Operating Activities

2019 Compared with 2018

Net cash provided by operating activities decreased $100.0 million during 2019, compared with 2018, driven by:

- A $116.0 million decrease in cash due to higher collateral requirements in 2019, compared with 2018, driven by funding for both open natural gas contracts and settled natural gas contracts. See Note 17, Derivative Instruments, for more information.
- A $44.4 million decrease in cash due to an increase in payments for interest related to higher long-term debt balances during 2019, compared with 2018.
- A $40.5 million decrease in cash from higher payments for other operation and maintenance expense. During 2019, our payments were higher for transmission, benefits, and storm restoration, compared with 2018.
- A $25.6 million decrease in cash related to higher payments for environmental remediation from work completed on former manufactured gas plant sites during 2019, compared with 2018.

These decreases in net cash provided by operating activities were partially offset by:

- A $74.0 million increase in cash primarily related to lower payments for natural gas and for fuel and purchased power. Lower payments for natural gas were due to a 14.5% decrease in the average per-unit cost of natural gas sold during 2019, compared with 2018. Lower payments for fuel and purchased power were due to the retirements of the Pleasant Prairie power plant in April 2018, Edgewater Unit 4 in September 2018, Pulliam Units 7 and 8 in October 2018, and the PIPP in March 2019.
- A $41.2 million net increase in cash related to $24.9 million of cash received for income taxes during 2019, compared with $16.3 million of cash paid for income taxes during 2018. This increase in cash was primarily due to alternative minimum tax credits that were refunded to us during 2019.
- An $11.7 million increase in cash related to a decrease in contributions and payments related to pension and OPEB plans during 2019, compared with 2018.

Investing Activities

2019 Compared with 2018

Net cash used in investing activities increased $110.5 million during 2019, compared with 2018, driven by:

- The acquisition of an 80% ownership interest in Upstream in January 2019 for $268.2 million, which is net of cash and restricted cash acquired of $9.2 million. See Note 2, Acquisitions, for more information.
- A $145.1 million increase in cash paid for capital expenditures during 2019, compared with 2018, which is discussed in more detail below.
- A $53.4 million net decrease in restricted cash during 2019, compared with 2018, due to a $118.4 million decrease in the proceeds received from the sale of investments held in the Integrys rabbi trust, partially offset by a $65.0 million decrease in the purchase of investments held in the rabbi trust.

These increases in net cash used in investing activities were partially offset by:

- The acquisition of Bishop Hill III during 2018 for $162.9 million, which is net of restricted cash acquired of $4.5 million. See Note 2, Acquisitions, for more information.
- The acquisition of Forward Wind Energy Center in April 2018 for $77.1 million. See Note 2, Acquisitions, for more information.
- The acquisition of an 80% ownership interest in Coyote Ridge during December 2018 for $61.4 million. See Note 2, Acquisitions, for more information.
- A $32.4 million increase in cash related to a reimbursement received from ATC for construction costs during 2019. See Note 20, Investment in Transmission Affiliates, for more information.
- A $25.5 million increase in proceeds received from the sale of assets and businesses, primarily related to the sale of four PDL solar power generation facilities during 2019, compared with 2018. See Note 3, Dispositions, for more information.

Capital Expenditures

Capital expenditures by segment for the years ended December 31 were as follows:

Reportable Segment *(in millions)*	**2019**	**2018**	**Change in 2019 Over 2018**
Wisconsin	**$ 1,378.6**	$ 1,389.0	$ (10.4)
Illinois	**624.9**	547.1	77.8
Other states	**109.1**	103.6	5.5
Non-utility energy infrastructure	**121.7**	36.3	85.4
Corporate and other	**26.5**	39.7	(13.2)
Total capital expenditures	**$ 2,260.8**	$ 2,115.7	$ 145.1

2019 Compared with 2018

The decrease in cash paid for capital expenditures at the Wisconsin segment during 2019, compared with 2018, was primarily driven by the construction of the new natural gas-fired generation facility in the Upper Peninsula of Michigan, projects at the OCPP, the implementation of an ERP system, our AMI program and various other software projects, a natural gas lateral project at WPS's Fox Energy Center, and upgrades to WE's electric distribution system during 2018. These decreases in cash paid for capital expenditures were partially offset by increased capital expenditures related to WPS's Two Creeks project, upgrades to WPS's natural gas distribution system, and an information technology project created to improve WE's and WG's billing, call center, and credit collection functions during 2019.

The increase in cash paid for capital expenditures at the Illinois segment during 2019, compared with 2018, was driven by an increase in facilities projects at PGL, partially offset by a decrease in AMI expenditures at NSG during 2019.

The increase in cash paid for capital expenditures at the non-utility energy infrastructure segment during 2019, compared with 2018, was primarily driven by the construction of Coyote Ridge. See Note 2, Acquisitions, for more information.

The decrease in cash paid for capital expenditures at the corporate and other segment during 2019, compared with 2018, was primarily driven by the implementation of a new ERP system during the first quarter of 2018.

See Capital Resources and Requirements – Capital Requirements – Capital Expenditures and Significant Capital Projects below for more information.

Financing Activities

2019 Compared with 2018

Net cash provided by financing activities increased $59.2 million during 2019, compared with 2018, driven by:

- A $593.2 million increase in cash related to lower long-term debt repayments during 2019, compared with 2018.
- A $155.0 million increase in cash due to higher issuances of long-term debt during 2019, compared with 2018.
- A $37.9 million increase in cash from stock options exercised during 2019, compared with 2018.

These increases in net cash provided by financing activities were partially offset by:

- A $604.8 million decrease in cash related to higher net repayments of commercial paper during 2019, compared with 2018.
- A $67.7 million decrease in cash due to an increase in the number and cost of shares of our common stock purchased during 2019, compared with 2018, to satisfy requirements of our stock-based compensation plans.
- A $47.2 million decrease in cash due to higher dividends paid on our common stock during 2019, compared with 2018. In January 2019, our Board of Directors increased our quarterly dividend by $0.0375 per share (6.8%) effective with the first quarter of 2019 dividend payment.

Significant Financing Activities

For more information on our financing activities, see Note 12, Short-Term Debt and Lines of Credit, and Note 13, Long-Term Debt.

CAPITAL RESOURCES AND REQUIREMENTS

Capital Resources

Liquidity

We anticipate meeting our capital requirements for our existing operations through internally generated funds and short-term borrowings, supplemented by the issuance of intermediate or long-term debt securities, depending on market conditions and other factors.

We currently have access to the capital markets and have been able to generate funds both internally and externally to meet our capital requirements. Our ability to attract the necessary financial capital at reasonable terms is critical to our overall strategic plan. We currently believe that we have adequate capacity to fund our operations for the foreseeable future through our existing borrowing arrangements, access to capital markets, and internally generated cash.

WEC Energy Group, WE, WPS, WG, and PGL maintain bank back-up credit facilities, which provide liquidity support for each company's obligations with respect to commercial paper and for general corporate purposes. We review our bank back-up credit facility needs on an ongoing basis and expect to be able to maintain adequate credit facilities to support our operations. See Note 12, Short-Term Debt and Lines of Credit, for more information about these credit facilities.

The following table shows our capitalization structure as of December 31, 2019 and 2018, as well as an adjusted capitalization structure that we believe is consistent with how a majority of the rating agencies currently view our 2007 Junior Notes:

	2019		2018	
(in millions)	**Actual**	**Adjusted**	**Actual**	**Adjusted**
Common shareholders' equity	**$ 10,113.4**	**$ 10,363.4**	$ 9,788.9	$ 10,038.9
Preferred stock of subsidiary	**30.4**	**30.4**	30.4	30.4
Long-term debt (including current portion)	**11,904.2**	**11,654.2**	10,359.0	10,109.0
Short-term debt	**830.8**	**830.8**	1,440.1	1,440.1
Total capitalization	**$ 22,878.8**	**$ 22,878.8**	$ 21,618.4	$ 21,618.4
Total debt	**$ 12,735.0**	**$ 12,485.0**	$ 11,799.1	$ 11,549.1
Ratio of debt to total capitalization	**55.7%**	**54.6%**	54.6%	53.4%

Included in long-term debt on our balance sheets as of December 31, 2019 and 2018, is $500.0 million principal amount of 2007 Junior Notes. The adjusted presentation attributes $250.0 million of the 2007 Junior Notes to common equity and $250.0 million to long-term debt.

The adjusted presentation of our consolidated capitalization structure is included as a complement to our capitalization structure presented in accordance with GAAP. Management evaluates and manages our capitalization structure, including our total debt to total capitalization ratio, using the GAAP calculation as adjusted to reflect the treatment of the 2007 Junior Notes by the majority of rating agencies. Therefore, we believe the non-GAAP adjusted presentation reflecting this treatment is useful and relevant to investors in understanding how management and the rating agencies evaluate our capitalization structure.

For a summary of the interest rates, maturity, and amounts of long-term debt outstanding on a consolidated basis, see Note 13, Long-Term Debt.

As described in Note 10, Common Equity, certain restrictions exist on the ability of our subsidiaries to transfer funds to us. We do not expect these restrictions to have any material effect on our operations or ability to meet our cash obligations.

At December 31, 2019, we were in compliance with all covenants related to outstanding short-term and long-term debt. We expect to be in compliance with all such debt covenants for the foreseeable future. See Note 12, Short-Term Debt and Lines of Credit, and Note 13, Long-Term Debt, for more information.

Working Capital

As of December 31, 2019, our current liabilities exceeded our current assets by $1,089.1 million. We do not expect this to have any impact on our liquidity since we believe we have adequate back-up lines of credit in place for our ongoing operations. We also believe that we can access the capital markets to finance our construction programs and to refinance current maturities of long-term debt, if necessary.

Credit Rating Risk

We do not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. However, we have certain agreements in the form of commodity contracts and employee benefit plans that could require collateral or a termination payment in the event of a credit rating change to below BBB- at S&P Global Ratings and/or Baa3 at Moody's Investors Service. We also have other commodity contracts that, in the event of a credit rating downgrade, could result in a reduction of our unsecured credit granted by counterparties.

In addition, access to capital markets at a reasonable cost is determined in large part by credit quality. Any credit ratings downgrade could impact our ability to access capital markets.

In November 2019, Moody's downgraded the ratings of WG senior unsecured debt to A3 from A2 and WG commercial paper to P-2 from P-1. The change in ratings has not had, and we do not believe that it will have, a material impact on our ability to access capital. Moody's changed the rating outlook for WG to stable from negative.

Subject to other factors affecting the credit markets as a whole, we believe our current ratings should provide a significant degree of flexibility in obtaining funds on competitive terms. However, these security ratings reflect the views of the rating agency only. An explanation of the significance of these ratings may be obtained from the rating agency. Such ratings are not a recommendation to buy, sell, or hold securities. Any rating can be revised upward or downward or withdrawn at any time by a rating agency.

If we are unable to successfully take actions to manage any additional adverse impacts of the Tax Legislation, or if additional interpretations, regulations, amendments or technical corrections exacerbate the adverse impacts of the Tax Legislation, the legislation could result in credit rating agencies placing our or our subsidiaries’ credit ratings on negative outlook or additional downgrading of our or our subsidiaries' credit ratings. Any such actions by credit rating agencies may make it more difficult and costly for us and our subsidiaries to issue future debt securities and certain other types of financing and could increase borrowing costs under our and our subsidiaries’ credit facilities.

Capital Requirements

Contractual Obligations

We have the following contractual obligations and other commercial commitments as of December 31, 2019:

	Payments Due by Period [1]				
(in millions)	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Long-term debt obligations [2]	$ 20,753.7	$ 1,170.2	$ 2,595.1	$ 1,426.1	$ 15,562.3
Finance lease obligations [3]	102.7	9.3	15.4	1.8	76.2
Operating lease obligations [4]	56.2	6.8	9.6	9.7	30.1
Energy and transportation purchase obligations [5]	11,570.0	1,231.1	2,152.9	1,667.5	6,518.5
Purchase orders [6]	886.0	463.3	250.2	85.1	87.4
Pension and OPEB funding obligations [7]	39.6	12.5	27.1	—	—
Total contractual obligations	$ 33,408.2	$ 2,893.2	$ 5,050.3	$ 3,190.2	$ 22,274.5

(1) The amounts included in the table are calculated using current market prices, forward curves, and other estimates.

(2) Principal and interest payments on long-term debt (excluding finance lease obligations). The interest due on our variable rate debt is based on the interest rates that were in effect on December 31, 2019.

(3) Finance lease obligations for power purchase commitments and land leases related to solar projects. This amount does not include We Power leases to WE which are eliminated upon consolidation. See Note 14, Leases, for more information.

(4) Operating lease obligations for office space, land, and rail car leases. See Note 14, Leases, for more information.

(5) Energy and transportation purchase obligations under various contracts for the procurement of fuel, power, gas supply, and associated transportation related to utility and non-utility operations.

(6) Purchase obligations related to normal business operations, information technology, and other services. Also includes construction obligations related to Two Creeks and Badger Hollow I.

(7) Obligations for pension and OPEB plans cannot reasonably be estimated beyond 2022.

The table above does not include liabilities related to the accounting treatment for uncertainty in income taxes because we are not able to make a reasonably reliable estimate as to the amount and period of related future payments at this time. For additional information regarding these liabilities, refer to Note 15, Income Taxes.

The table above also does not reflect estimated future payments related to the manufactured gas plant remediation liability of $589.2 million at December 31, 2019, as the amount and timing of payments are uncertain. We expect to incur costs annually to remediate these sites. See Note 23, Commitments and Contingencies, for more information about environmental liabilities.

AROs in the amount of $483.5 million are not included in the above table. Settlement of these liabilities cannot be determined with certainty, but we believe the majority of these liabilities will be settled in more than five years. See Note 8, Asset Retirement Obligations, for more information.

Obligations for utility operations have historically been included as part of the rate-making process and therefore are generally recoverable from customers.

Significant Capital Projects

We have several capital projects that will require significant capital expenditures over the next three years and beyond. All projected capital requirements are subject to periodic review and may vary significantly from estimates, depending on a number of factors. These factors include environmental requirements, regulatory restraints and requirements, impacts from the Tax Legislation, additional changes in tax laws and regulations, acquisition and development opportunities, market volatility, and economic trends. Our estimated capital expenditures and acquisitions for the next three years are as follows:

(in millions)	**2020**	**2021**	**2022**
Wisconsin	$ 1,482.0	$ 1,881.1	$ 1,630.5
Illinois	779.0	619.4	586.7
Other states	117.4	111.6	87.4
Non-utility energy infrastructure	852.5	159.7	393.0
Corporate and other	24.6	22.7	2.7
Total	$ 3,255.5	$ 2,794.5	$ 2,700.3

WE, WPS, and WG continue to upgrade their electric and natural gas distribution systems to enhance reliability. These upgrades include the AMI program. AMI is an integrated system of smart meters, communication networks, and data management systems that enable two-way communication between utilities and customers. WPS is also continuing work on the System Modernization and Reliability Project. This project includes modernizing parts of its electric distribution system, including burying or upgrading lines. The project focuses on constructing facilities to improve the reliability of electric service WPS provides to its customers. WPS expects to invest approximately $100 million between 2020 and 2022 on this project.

As part of our commitment to invest in zero-carbon generation, we have either filed for or received approval to invest in 300 MW of utility-scale solar within our Wisconsin segment. WPS has partnered with an unaffiliated utility to construct two solar projects in Wisconsin. Badger Hollow I is located in Iowa County, Wisconsin, and Two Creeks is located in Manitowoc County, Wisconsin. Once constructed, WPS will own 100 MW of the output of each project for a total of 200 MW. WPS's share of the cost of both projects is estimated to be $256 million. Construction began at Two Creeks and Badger Hollow I in August 2019 and October 2019, respectively. Commercial operation of both projects is targeted for the end of 2020. WE has partnered with an unaffiliated utility to acquire an ownership interest in a proposed solar project, Badger Hollow II, that will be located in Iowa County, Wisconsin. At its meeting on February 20, 2020, the PSCW approved the acquisition of this project. The approval is still subject to WE's receipt and review of a final written order from the PSCW. Once constructed, WE will own 100 MW of the output of this project. WE's share of the cost of this project is estimated to be $130 million. Commercial operation of Badger Hollow II is targeted for the end of 2021. Solar generation technology has greatly improved, has become more cost-effective, and it complements our summer demand curve.

WE and WG each plan to construct their own LNG facility. Subject to PSCW approval, each facility would provide approximately one billion cubic feet of natural gas supply to meet anticipated peak demand without requiring the construction of additional interstate pipeline capacity. These facilities are expected to reduce the likelihood of constraints on WE's and WG's natural gas systems during the highest demand days of winter. The total cost of both projects is estimated to be approximately $370 million, with approximately half being invested by each utility. Commercial operation of the LNG facilities is targeted for the end of 2023.

PGL is continuing work on the SMP, a project under which PGL is replacing approximately 2,000 miles of Chicago's aging natural gas pipeline infrastructure. PGL currently recovers these costs through a surcharge on customer bills pursuant to an ICC approved QIP rider, which is in effect through 2023. PGL's projected average annual investment through 2022 is between $280 million and $300 million. See Note 25, Regulatory Environment, for more information on the SMP.

The non-utility energy infrastructure segment line item in the table above includes WECI's planned investment in Thunderhead and Blooming Grove. See Note 2, Acquisitions, for more information on these wind projects.

We expect to provide total capital contributions to ATC (not included in the above table) of approximately $90 million from 2020 through 2022. We do not expect to make any contributions to ATC Holdco during that period.

Common Stock Matters

For information related to our common stock matters, see Note 10, Common Equity.

On January 16, 2020, our Board of Directors increased our quarterly dividend to $0.6325 per share effective with the first quarter of 2020 dividend payment, an increase of 7.2%. This equates to an annual dividend of $2.53 per share. In addition, the Board of Directors affirmed our dividend policy that continues to target a dividend payout ratio of 65-70% of earnings.

Investments in Outside Trusts

We use outside trusts to fund our pension and certain OPEB obligations. These trusts had investments of approximately $3.9 billion as of December 31, 2019. These trusts hold investments that are subject to the volatility of the stock market and interest rates. We contributed $65.9 million and $77.6 million to our pension and OPEB plans in 2019 and 2018, respectively. Future contributions to the plans will be dependent upon many factors, including the performance of existing plan assets and long-term discount rates. For additional information, see Note 19, Employee Benefits.

Off-Balance Sheet Arrangements

We are a party to various financial instruments with off-balance sheet risk as a part of our normal course of business, including financial guarantees and letters of credit that support construction projects, commodity contracts, and other payment obligations. We believe that these agreements do not have, and are not reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources. For additional information, see Note 12, Short-Term Debt and Lines of Credit, Note 18, Guarantees, and Note 22, Variable Interest Entities.

FACTORS AFFECTING RESULTS, LIQUIDITY, AND CAPITAL RESOURCES

MARKET RISKS AND OTHER SIGNIFICANT RISKS

We are exposed to market and other significant risks as a result of the nature of our businesses and the environments in which those businesses operate. These risks, described in further detail below, include but are not limited to:

Regulatory Recovery

Our utilities account for their regulated operations in accordance with accounting guidance under the Regulated Operations Topic of the FASB ASC. Our rates are determined by various regulatory commissions.

Regulated entities are allowed to defer certain costs that would otherwise be charged to expense if the regulated entity believes the recovery of those costs is probable. We record regulatory assets pursuant to specific orders or by a generic order issued by our regulators. Recovery of the deferred costs in future rates is subject to the review and approval by those regulators. We assume the risks and benefits of ultimate recovery of these items in future rates. If the recovery of the deferred costs, including those referenced below, is not approved by our regulators, the costs would be charged to income in the current period. In general, our regulatory assets are recovered over a period of between one to twenty years. Regulators can impose liabilities on a prospective basis for amounts previously collected from customers and for amounts that are expected to be refunded to customers. We record these items as regulatory liabilities. As of December 31, 2019, our regulatory assets were $3,527.6 million, and our regulatory liabilities were $4,080.4 million.

Due to the Tax Legislation, our regulated utilities remeasured their deferred taxes and recorded a tax benefit of $2,529 million. Our utilities have been returning this tax benefit to ratepayers through refunds, bill credits, riders, and reductions to other regulatory assets, which we expect to continue. See Note 15, Income Taxes, and Note 25, Regulatory Environment, for more information.

We expect to request or have requested recovery of the costs related to the following projects discussed in recent or pending rate proceedings, orders, and investigations involving our utilities:

- Prior to its acquisition by us, Integrys initiated an information technology project with the goal of improving the customer experience at its subsidiaries. Specifically, the project is expected to provide functional and technological benefits to the billing, call center, and credit collection functions. As of December 31, 2019, we had not received any significant disallowances of the costs incurred for this project. WPS received approval to recover these costs in the rate order it received from the PSCW in December 2019. See Note 25, Regulatory Environment, for more information.
- In January 2014, the ICC approved PGL's use of the QIP rider as a recovery mechanism for costs incurred related to investments in QIP. This rider is subject to an annual reconciliation whereby costs are reviewed for accuracy and prudency. In March 2019, PGL filed its 2018 reconciliation with the ICC, which, along with the 2017 and 2016 reconciliations, are still pending. In July 2019, the ICC approved a settlement of the 2015 reconciliation, which includes a rate base reduction of $7.0 million and a $7.3 million refund to ratepayers. As of December 31, 2019, all amounts had been refunded to customers. As of December 31, 2019, there can be no assurance that all costs incurred under the QIP rider during the open reconciliation years will be deemed recoverable by the ICC.

See Note 25, Regulatory Environment, for more information regarding recent and pending rate proceedings, orders, and investigations involving our utilities.

Commodity Costs

In the normal course of providing energy, we are subject to market fluctuations in the costs of coal, natural gas, purchased power, and fuel oil used in the delivery of coal. We manage our fuel and natural gas supply costs through a portfolio of short and long-term procurement contracts with various suppliers for the purchase of coal, natural gas, and fuel oil. In addition, we manage the risk of price volatility through natural gas and electric hedging programs.

Embedded within our utilities' rates are amounts to recover fuel, natural gas, and purchased power costs. Our utilities have recovery mechanisms in place that allow them to recover or refund all or a portion of the changes in prudently incurred fuel, natural gas, and purchased power costs from rate case-approved amounts.

Higher commodity costs can increase our working capital requirements, result in higher gross receipts taxes, and lead to increased energy efficiency investments by our customers to reduce utility usage and/or fuel substitution. Higher commodity costs combined with slower economic conditions also expose us to greater risks of accounts receivable write-offs as more customers are unable to pay their bills. See Note 1(d), Operating Revenues, for more information on riders and other mechanisms that allow for cost recovery or refund of uncollectible expense.

Weather

Our utilities' rates are based upon estimated normal temperatures. Our electric utility margins are unfavorably sensitive to below normal temperatures during the summer cooling season and, to some extent, to above normal temperatures during the winter heating season. Our natural gas utility margins are unfavorably sensitive to above normal temperatures during the winter heating season. PGL, NSG, and MERC have decoupling mechanisms in place that help reduce the impacts of weather. Decoupling mechanisms differ by state and allow utilities to recover or refund certain differences between actual and authorized margins. A summary of actual weather information in our utilities' service territories during 2019 and 2018, as measured by degree days, may be found in Results of Operations.

Interest Rates

We are exposed to interest rate risk resulting from our short-term and long-term borrowings and projected near-term debt financing needs. We manage exposure to interest rate risk by limiting the amount of our variable rate obligations and continually monitoring the effects of market changes on interest rates. When it is advantageous to do so, we enter into long-term fixed rate debt. We may also enter into derivative financial instruments, such as swaps, to mitigate interest rate exposure.

Based on the variable rate debt outstanding at December 31, 2019, and December 31, 2018, a hypothetical increase in market interest rates of one percentage point would have increased annual interest expense by $10.8 million and $16.9 million in 2019 and 2018, respectively. This sensitivity analysis was performed assuming a constant level of variable rate debt during the period and an immediate increase in interest rates, with no other changes for the remainder of the period.

Marketable Securities Return

We use various trusts to fund our pension and OPEB obligations. These trusts invest in debt and equity securities. Changes in the market prices of these assets can affect future pension and OPEB expenses. Additionally, future contributions can also be affected by the investment returns on trust fund assets. We believe that the financial risks associated with investment returns would be partially mitigated through future rate actions by our various utility regulators.

The fair value of our trust fund assets and expected long-term returns were approximately:

(in millions)	As of December 31, 2019	Expected Return on Assets in 2020
Pension trust funds	$ 3,007.0	6.87%
OPEB trust funds	$ 879.6	7.00%

Fiduciary oversight of the pension and OPEB trust fund investments is the responsibility of an Investment Trust Policy Committee. The Committee works with external actuaries and investment consultants on an ongoing basis to establish and monitor investment strategies and target asset allocations. Forecasted cash flows for plan liabilities are regularly updated based on annual valuation results. Target asset allocations are determined utilizing projected benefit payment cash flows and risk analyses of appropriate investments. The targeted asset allocations are intended to reduce risk, provide long-term financial stability for the plans, and maintain funded levels which meet long-term plan obligations while preserving sufficient liquidity for near-term benefit payments. Investment strategies utilize a wide diversification of asset types and qualified external investment managers.

We consult with our investment advisors on an annual basis to help us forecast expected long-term returns on plan assets by reviewing actual historical returns and calculating expected total trust returns using the weighted-average of long-term market returns for each of the major target asset categories utilized in the funds.

Economic Conditions

We have electric and natural gas utility operations that serve customers in Wisconsin, Illinois, Minnesota, and Michigan. As such, we are exposed to market risks in the regional Midwest economy. In addition, any economic downturn or disruption of national or international markets could adversely affect the financial condition of our customers and demand for their products, which could affect their demand for our products.

Inflation

We continue to monitor the impact of inflation, especially with respect to the costs of medical plans, fuel, transmission access, construction costs, and regulatory and environmental compliance in order to minimize its effects in future years through pricing strategies, productivity improvements, and cost reductions. We do not believe the impact of general inflation will have a material impact on our future results of operations.

For additional information concerning risk factors, including market risks, see the Cautionary Statement Regarding Forward-Looking Information at the beginning of this report.

COMPETITIVE MARKETS

Electric Utility Industry

The FERC supports large RTOs, which directly impacts the structure of the wholesale electric market. Due to the FERC's support of RTOs, MISO uses the MISO Energy Markets to carry out its operations, including the use of LMP to value electric transmission congestion and losses. Increased competition in the retail and wholesale markets, which may result from restructuring efforts, could have a significant and adverse financial impact on us. It is uncertain when, if at all, retail choice might be implemented in Wisconsin. However, Michigan has adopted a limited retail choice program.

Wisconsin

Electric utility revenues in Wisconsin are regulated by the PSCW. The PSCW continues to maintain the position that the question of whether to implement electric retail competition in Wisconsin should ultimately be decided by the Wisconsin legislature. No such legislation has been introduced in Wisconsin to date.

Michigan

Under Michigan law, our retail customers may choose an alternative electric supplier to provide power supply service. As a result, some of our small retail customers have switched to an alternative electric supplier. At December 31, 2019, Michigan law limited customer choice to 10% of an electric utility's Michigan retail load, but this cap could potentially be reduced in future years due to the December 2016 passage of Michigan Act 341. Based on current law, our iron ore mine customer, Tilden, is exempt from the 10% cap. In addition, certain load increases by facilities already using an alternative electric supplier can still be serviced by their alternative electric supplier, when various conditions exist, even if the cap has already been met. When a customer switches to an alternative electric supplier, we continue to provide distribution and customer service functions for the customer.

Natural Gas Utility Industry

We offer natural gas transportation services to our customers that elect to purchase natural gas directly from a third-party supplier. Since these transportation customers continue to use our distribution systems to transport natural gas to their facilities, we earn distribution revenues from them. As such, the loss of revenue associated with the cost of natural gas that our transportation customers purchase from third-party suppliers has little impact on our net income, as it is offset by an equal reduction to natural gas costs.

Wisconsin

Our Wisconsin utilities offer both natural gas transportation service and interruptible natural gas sales to enable customers to better manage their energy costs. Customers continue to switch between firm system supply, interruptible system supply, and transportation service each year as the economics and service options change. Due to the PSCW's previous proceedings on natural gas industry regulation in a competitive environment, the PSCW currently provides all Wisconsin customer classes with competitive markets the option to choose a third-party natural gas supplier. All of our Wisconsin customer classes have competitive market choices and, therefore, can purchase natural gas directly from either a third-party supplier or their local natural gas utility. Since third-party suppliers can be used in Wisconsin, the PSCW has also adopted standards for transactions between a utility and its natural gas marketing affiliates. We are currently unable to predict the impact, if any, of potential future industry restructuring on our results of operations or financial position.

Illinois

Absent extraordinary circumstances, potential competitors are not allowed to construct competing natural gas distribution systems in the service territories for PGL and NSG. A charter from the state of Illinois gives PGL the right to provide natural gas distribution service in the city of Chicago as a public utility. Further, the "first in the field" and public interest standards limit the ability of potential competitors to operate in an existing utility service territory. In addition, we believe it would be impractical to construct competing duplicate distribution facilities due to the high cost of installation.

Since 2002, PGL and NSG have, under ICC-approved tariffs, provided their customers with the option to choose a third-party natural gas supplier. There are no state laws requiring PGL and NSG to make this choice option available to customers, but since this option is currently provided to our Illinois customers under tariff, we would need ICC approval to eliminate it.

An interstate pipeline may seek to provide transportation service directly to our Illinois end users, which would bypass our natural gas transportation service. However, PGL and NSG have bypass rates approved by the ICC, which allow them to negotiate rates with customers that are potential bypass candidates to help ensure that such customers continue to use their transportation service.

Minnesota

Natural gas utilities in the state of Minnesota do not have exclusive franchise service territories and, as a matter of law and policy, natural gas utilities may compete for new customers. However, natural gas utilities have customarily avoided competing for existing customers of other utilities, as there would be duplicative utility facilities and/or increased costs to customers. If this approach were to change, it could lead to a greater level of competition amongst utilities to obtain customers.

MERC offers both natural gas transportation service and interruptible natural gas sales to enable customers to better manage their energy costs. Customers continue to switch between firm system supply, interruptible system supply, and transportation service each year as the economics and service options change. MERC has provided its commercial and industrial customers with the option to choose a third-party natural gas supplier since 2006. We are not required by the MPUC or state law to make this choice option available to customers, but since this option is currently provided to our Minnesota commercial and industrial customers, we would need MPUC approval to eliminate it.

Michigan

The option to choose a third-party natural gas supplier has been provided to UMERC’s customers (formerly WPS’s Michigan customers) since the late 1990s and MGU's customers since 2005. We are not required by the MPSC or state law to make this choice option available to customers, but since this option is currently provided to our Michigan customers, we would need MPSC approval to eliminate it.

ENVIRONMENTAL MATTERS

See Note 23, Commitments and Contingencies, for a discussion of certain environmental matters affecting us, including rules and regulations relating to air quality, water quality, land quality, and climate change.

OTHER MATTERS

Tax Cuts and Jobs Act of 2017

In December 2017, the Tax Legislation was signed into law. In 2018 and 2019, the PSCW and the MPSC issued written orders regarding how to refund certain tax savings from the Tax Legislation to our ratepayers in Wisconsin and Michigan, respectively. The various remaining impacts of the Tax Legislation on our Wisconsin operations were addressed in our recent rate orders issued by the PSCW in December 2019. In addition, the ICC approved the VITA in Illinois during April 2018, and, in Minnesota, the MPUC included the various impacts of the Tax Legislation in MERC's final 2018 rate order.

In July 2019, the FERC approved WPS's revised formula rate tariff, which incorporated the impacts of the Tax Legislation. We are also working with the FERC to modify WE's formula rate tariff for the impacts of the Tax Legislation, and we expect to receive FERC approval for WE's modified tariff in 2020. See Note 25, Regulatory Environment, for more information.

American Transmission Company Allowed Return on Equity Complaints

On November 21, 2019, the FERC issued an order (November 2019 Order) related to the methodology used to calculate the base ROE for all MISO transmission owners, including ATC. Based on this order, the FERC has expanded its base ROE methodology to include the capital-asset pricing model in addition to the discounted cash flow model to better reflect how investors make their investment decisions. The FERC's modified methodology will reduce the base ROE that ATC is allowed to collect on a going-forward basis, as discussed below. Various parties have requested a rehearing by the FERC of the November 2019 Order in its entirety.

First Return on Equity Complaint

In November 2013, a group of MISO industrial customer organizations filed a complaint with the FERC requesting to reduce the base ROE used by MISO transmission owners, including ATC, from 12.2% to 9.15%. In September 2016, the FERC issued an order requiring MISO transmission owners to collect a reduced base ROE of 10.32%, as well as the 0.5% incentive adder approved by the FERC in January 2015 for MISO transmission owners. The FERC then issued the November 2019 Order after directing MISO transmission owners and other stakeholders to provide briefs and comments on a proposed change to the methodology for calculating base ROE. The November 2019 Order further reduced the base ROE for all MISO transmission owners, including ATC, to 9.88%, effective as of September 28, 2016 and prospectively. The November 2019 Order also continued to allow the collection of the 0.5% ROE incentive adder, which only applies to revenues collected after January 6, 2015. In addition, ATC is required to provide refunds, with interest, for the 15-month refund period from November 12, 2013 through February 11, 2015 and for the period from September 28, 2016 through November 21, 2019. As a result, ATC will provide WE and WPS with refunds related to the transmission costs they paid during the two refund periods, and these refunds will be applied to WE's and WPS's PSCW-approved escrow accounting for transmission expense.

Second Return on Equity Complaint

In February 2015, a second complaint was filed with the FERC requesting a reduction in the base ROE used by MISO transmission owners, including ATC, to 8.67%, with a refund effective date retroactive to February 12, 2015. The FERC also addressed this second complaint in the November 2019 Order. Similar to the first complaint, the November 2019 Order stated that the base ROE of 9.88% and the 0.5% incentive adder were reasonable for the period covered by the second complaint, February 12, 2015 through May 10, 2016. However, in its order, the FERC relied on certain provisions of the Federal Power Act to dismiss the second complaint and to determine that refunds were not allowed for this period. Refunds could still be required, however, for the second complaint period depending on the outcome of numerous rehearing requests filed with the FERC. Therefore, our financials continue to reflect a liability of $41.9 million resulting in reduced equity earnings from ATC. This liability reflects a 10.38% ROE for the second complaint period. If it is ultimately determined that a refund is required for the second complaint period, we would not expect any such refund to have a material impact on our financial statements or results of operations in the future. In addition, WE and WPS would be entitled to receive a portion of the refund from ATC for the benefit of their customers.

Bonus Depreciation Provisions

Bonus depreciation is an additional amount of first-year tax deductible depreciation that is awarded above what would normally be available. The bonus depreciation deduction available for public utility property subject to rate-making by a government entity or public utility commission was modified by the Tax Legislation. Based on the provisions of the Tax Legislation, bonus depreciation can no longer be deducted for public utility property acquired and placed in service after December 31, 2017. The provisions of the Tax Legislation regarding the repeal of bonus depreciation do not apply to some of our non-utility investments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of financial statements and related disclosures in compliance with GAAP requires the application of appropriate technical accounting rules and guidance as well as the use of estimates. The application of these policies necessarily involves judgments regarding future events, including the likelihood of success of particular projects, legal and regulatory challenges, and anticipated recovery of costs. These judgments, in and of themselves, could materially impact the financial statements and disclosures based on varying assumptions. In addition, the financial and operating environment may also have a significant effect, not only on the operation of our business, but on our results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies applied have not changed.

The following is a list of accounting policies that are most significant to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective, or complex judgments.

Regulatory Accounting

Our utility operations follow the guidance under the Regulated Operations Topic of the FASB ASC (Topic 980). Our financial statements reflect the effects of the rate-making principles followed by the various jurisdictions regulating us. Certain items that would otherwise be immediately recognized as revenues and expenses are deferred as regulatory assets and regulatory liabilities for future recovery or refund to customers, as authorized by our regulators.

Future recovery of regulatory assets, including the timeliness of recovery and our ability to earn a reasonable return, is not assured and is generally subject to review by regulators in rate proceedings for matters such as prudence and reasonableness. Once approved, the regulatory assets and liabilities are amortized into earnings over the rate recovery or refund period. If recovery or refund of costs is not approved or is no longer considered probable, these regulatory assets or liabilities are recognized in current period earnings. Management regularly assesses whether these regulatory assets and liabilities are probable of future recovery or refund by considering factors such as changes in the regulatory environment, earnings from our electric and natural gas utility operations, and the status of any pending or potential deregulation legislation.

The application of the Regulated Operations Topic of the FASB ASC would be discontinued if all or a separable portion of our utility operations no longer met the criteria for application. Our regulatory assets and liabilities would be written off to income as an unusual or infrequently occurring item in the period in which discontinuation occurred. As of December 31, 2019, we had $3,527.6 million in regulatory assets and $4,080.4 million in regulatory liabilities. See Note 5, Regulatory Assets and Liabilities, for more information.

Goodwill

We completed our annual goodwill impairment tests for all of our reporting units that carried a goodwill balance as of July 1, 2019. No impairments were recorded as a result of these tests. For all of our reporting units, the fair values calculated in step one of the test were greater than their carrying values. The fair values for the reporting units were calculated using a combination of the income approach and the market approach.

For the income approach, we used internal forecasts to project cash flows. Any forecast contains a degree of uncertainty, and changes in these cash flows could significantly increase or decrease the calculated fair value of a reporting unit. Since all of our reporting units are regulated, a fair recovery of and return on costs prudently incurred to serve customers is assumed. An unfavorable outcome in a rate case could cause the fair values of our reporting units to decrease.

Key assumptions used in the income approach include ROEs, the long-term growth rates used to determine terminal values at the end of the discrete forecast period, and the discount rates. The discount rate is applied to estimated future cash flows and is one of the most significant assumptions used to determine fair value under the income approach. As interest rates rise, the calculated fair values will decrease. The discount rate is based on the weighted-average cost of capital for each reporting unit, taking into account both the after-tax cost of debt and cost of equity. The terminal year ROE for each utility is driven by its current allowed ROE. The terminal growth rate is based primarily on a combination of historical and forecasted statistics for real gross domestic product and personal income for each utility service area.

For the market approach, we used an equal weighting of the guideline public company method and the guideline merged and acquired company method. The guideline public company method uses financial metrics from similar publicly traded companies to determine fair value. The guideline merged and acquired company method calculates fair value by analyzing the actual prices paid for recent mergers and acquisitions in the industry. We applied multiples derived from these two methods to the appropriate operating metrics for our reporting units to determine fair value.

The underlying assumptions and estimates used in the impairment tests were made as of a point in time. Subsequent changes in these assumptions and estimates could change the results of the tests.

For each of our reporting units, the fair value exceeded its carrying value by over 50%. Based on these results, our reporting units are not at risk of failing step one of the goodwill impairment test.

Our reporting units had the following goodwill balances at July 1, 2019:

(in millions, except percentages)	Goodwill	Percentage of Total Goodwill
Wisconsin	$ 2,104.3	68.9%
Illinois	758.7	24.9%
Other states	183.2	6.0%
Bluewater	6.6	0.2%
Total goodwill	$ 3,052.8	100.0%

See Note 9, Goodwill, for more information.

Long-Lived Assets

In accordance with ASC 980-360, Regulated Operations – Property, Plant, and Equipment, we periodically assess the recoverability of certain long-lived assets when events or changes in circumstances indicate that the carrying amount of those long-lived assets may not be recoverable. Examples of events or changes in circumstances include, but are not limited to, a significant decrease in the market price, a significant change in use, adverse legal factors or a change in business climate, operating or cash flow losses, or an expectation that the asset might be sold. These assessments require significant assumptions and judgments by management. Long-lived assets that would be subject to an impairment assessment would generally include any assets within regulated operations that may not be fully recovered from our customers as a result of regulatory decisions that will be made in the future, and assets within nonregulated operations that are proposed to be sold or are currently generating operating losses.

In accordance with ASC 980-360, when it becomes probable that a generating unit will be retired before the end of its useful life, we assess whether the generating unit meets the criteria for abandonment accounting. Generating units that are considered probable of abandonment are expected to cease operations in the near term, significantly before the end of their original estimated useful lives. As a result, the remaining net book value of these assets can be significant. If a generating unit meets applicable criteria to be considered probable of abandonment, and the unit has been abandoned, we assess the likelihood of recovery of the remaining net book value of that generating unit at the end of each reporting period. If it becomes probable that regulators will disallow full recovery or a return on the remaining net book value of a generating unit that is either abandoned or probable of being abandoned, an impairment loss may be required. An impairment loss would be recorded if the remaining net book value of the generating unit is greater than the present value of the amount expected to be recovered from ratepayers.

Pleasant Prairie power plant, Pulliam Units 7 and 8, and the jointly-owned Edgewater 4 generating unit were retired during 2018. PIPP was retired during 2019. Effective with the rate orders issued by the PSCW in December 2019, WE and WPS received approval to collect a return of and on the entire net book value of the retired generating units, excluding Pleasant Prairie power plant. WE will collect a full return of and on all but $100 million of the net book value of the Pleasant Prairie power plant. In accordance with its PSCW rate order received in December 2019, WE will seek a financing order from the PSCW to securitize the remaining $100 million. See Note 6, Property, Plant, and Equipment, and Note 25, Regulatory Environment, for more information on our retired generating units, including various approvals we received from the FERC and the PSCW.

Pension and Other Postretirement Employee Benefits

The costs of providing non-contributory defined pension benefits and OPEB, described in Note 19, Employee Benefits, are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience.

Pension and OPEB costs are impacted by actual employee demographics (including age, compensation levels, and employment periods), the level of contributions made to the plans, and earnings on plan assets. Pension and OPEB costs may also be significantly affected by changes in key actuarial assumptions, including anticipated rates of return on plan assets, mortality and discount rates, and expected health care cost trends. Changes made to the plan provisions may also impact current and future pension and OPEB costs.

Pension and OPEB plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity and fixed income market returns, as well as changes in general interest rates, may result in increased or decreased benefit costs in future periods. We believe that such changes in costs would be recovered or refunded at our utilities through the rate-making process.

The following table shows how a given change in certain actuarial assumptions would impact the projected benefit obligation and the reported net periodic pension cost. Each factor below reflects an evaluation of the change based on a change in that assumption only.

Actuarial Assumption ***(in millions, except percentages)***	**Percentage-Point Change in Assumption**	**Impact on Projected Benefit Obligation**	**Impact on 2019 Pension Cost**
Discount rate	(0.5)	$ 206.6	$ 17.4
Discount rate	0.5	(178.2)	(10.6)
Rate of return on plan assets	(0.5)	N/A	13.3
Rate of return on plan assets	0.5	N/A	(13.3)

The following table shows how a given change in certain actuarial assumptions would impact the accumulated OPEB obligation and the reported net periodic OPEB cost. Each factor below reflects an evaluation of the change based on a change in that assumption only.

Actuarial Assumption ***(in millions, except percentages)***	**Percentage-Point Change in Assumption**	**Impact on Postretirement Benefit Obligation**	**Impact on 2019 Postretirement Benefit Cost**
Discount rate	(0.5)	$ 35.3	$ 3.8
Discount rate	0.5	(30.6)	(3.8)
Health care cost trend rate	(0.5)	(18.6)	(4.5)
Health care cost trend rate	0.5	21.3	5.1
Rate of return on plan assets	(0.5)	N/A	3.8
Rate of return on plan assets	0.5	N/A	(3.8)

The discount rates are selected based on hypothetical bond portfolios consisting of noncallable, high-quality corporate bonds across the full maturity spectrum. From the hypothetical bond portfolios, a single rate is determined that equates the market value of the bonds purchased to the discounted value of the plans' expected future benefit payments.

We establish our expected return on assets based on consideration of historical and projected asset class returns, as well as the target allocations of the benefit trust portfolios. The assumed long-term rate of return on pension plan assets was 7.12% in 2019 and 2018, and 7.11% in 2017. The actual rate of return on pension plan assets, net of fees, was 18.89%, (4.30)%, and 13.74%, in 2019, 2018, and 2017, respectively.

In selecting assumed health care cost trend rates, past performance and forecasts of health care costs are considered. For more information on health care cost trend rates and a table showing future payments that we expect to make for our pension and OPEB, see Note 19, Employee Benefits.

Unbilled Revenues

We record utility operating revenues when energy is delivered to our customers. However, the determination of energy sales to individual customers is based upon the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of their last meter reading are estimated and corresponding unbilled revenues are calculated. This unbilled revenue is estimated each month based upon actual generation and throughput volumes, recorded sales, estimated customer usage by class, weather factors, estimated line losses, and applicable customer rates. Significant fluctuations in energy demand for the unbilled period or changes in the composition of customer classes could impact the accuracy of the unbilled revenue estimate. Total utility operating revenues during 2019 of approximately $7.4 billion included accrued utility revenues of $478.8 million as of December 31, 2019.

Income Tax Expense

We are required to estimate income taxes for each of the jurisdictions in which we operate as part of the process of preparing consolidated financial statements. This process involves estimating current income tax liabilities together with assessing temporary differences resulting from differing treatment of items, such as depreciation, for income tax and accounting purposes. These differences result in deferred income tax assets and liabilities, which are included within our balance sheets. We also assess the likelihood that our deferred income tax assets will be recovered through future taxable income. To the extent we believe that realization is not likely, we establish a valuation allowance, which is offset by an adjustment to income tax expense in our income statements.

Uncertainty associated with the application of tax statutes and regulations and the outcomes of tax audits and appeals requires that judgments and estimates be made in the accrual process and in the calculation of effective tax rates. Only income tax benefits that meet the "more likely than not" recognition threshold may be recognized or continue to be recognized. Unrecognized tax benefits are re-evaluated quarterly and changes are recorded based on new information, including the issuance of relevant guidance by the courts or tax authorities and developments occurring in the examinations of our tax returns.

Significant management judgment is required in determining our provision for income taxes, deferred income tax assets and liabilities, the liability for unrecognized tax benefits, and any valuation allowance recorded against deferred income tax assets. The assumptions involved are supported by historical data, reasonable projections, and interpretations of applicable tax laws and regulations across multiple taxing jurisdictions. Significant changes in these assumptions could have a material impact on our financial condition and results of operations. See Note 1(o), Income Taxes, and Note 15, Income Taxes, for a discussion of accounting for income taxes.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Results, Liquidity, and Capital Resources – Market Risks and Other Significant Risks, as well as Note 1(p), Fair Value Measurements, Note 1(q), Derivative Instruments, and Note 18, Guarantees, for information concerning potential market risks to which we are exposed.

WEC ENERGY GROUP, INC.
CONSOLIDATED INCOME STATEMENTS

Year Ended December 31 ***(in millions, except per share amounts)***	**2019**	**2018**	**2017**
Operating revenues	**$ 7,523.1**	$ 7,679.5	$ 7,648.5
Operating expenses			
Cost of sales	**2,678.8**	2,897.9	2,822.8
Other operation and maintenance	**2,184.8**	2,270.5	2,056.1
Depreciation and amortization	**926.3**	845.8	798.6
Property and revenue taxes	**201.8**	196.9	194.9
Total operating expenses	**5,991.7**	6,211.1	5,872.4
Operating income	**1,531.4**	1,468.4	1,776.1
Equity in earnings of transmission affiliates	**127.6**	136.7	154.3
Other income, net	**102.2**	70.3	73.7
Interest expense	**501.5**	445.1	415.7
Other expense	**(271.7)**	(238.1)	(187.7)
Income before income taxes	**1,259.7**	1,230.3	1,588.4
Income tax expense	**125.0**	169.8	383.5
Net income	**1,134.7**	1,060.5	1,204.9
Preferred stock dividends of subsidiary	**1.2**	1.2	1.2
Net loss attributed to noncontrolling interests	**0.5**	—	—
Net income attributed to common shareholders	**$ 1,134.0**	$ 1,059.3	$ 1,203.7
Earnings per share			
Basic	**$ 3.60**	$ 3.36	$ 3.81
Diluted	**$ 3.58**	$ 3.34	$ 3.79
Weighted average common shares outstanding			
Basic	**315.4**	315.5	315.6
Diluted	**316.7**	316.9	317.2

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

WEC ENERGY GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31 *(in millions)*	2019	2018	2017
Net income	**$ 1,134.7**	$ 1,060.5	$ 1,204.9
Other comprehensive income (loss), net of tax			
Derivatives accounted for as cash flow hedges			
Net derivative losses, net of tax benefits of $1.3, $0.8, and $0.0, respectively	**(3.5)**	(2.1)	—
Reclassification of net gains to net income, net of tax	**(0.8)**	(1.2)	(1.3)
Cumulative effect adjustment from adoption of ASU 2018-02	**—**	1.6	—
Cash flow hedges, net	**(4.3)**	(1.7)	(1.3)
Defined benefit plans			
Pension and OPEB adjustments arising during the period, net of tax expense (benefit) of $1.0, $(1.2), and $0.6, respectively	**2.6**	(3.1)	0.9
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax	**0.2**	0.3	0.4
Cumulative effect adjustment from adoption of ASU 2018-02	**—**	(1.0)	—
Defined benefit plans, net	**2.8**	(3.8)	1.3
Other comprehensive loss, net of tax	**(1.5)**	(5.5)	—
Comprehensive income	**1,133.2**	1,055.0	1,204.9
Preferred stock dividends of subsidiary	**1.2**	1.2	1.2
Comprehensive loss attributed to noncontrolling interests	**0.5**	—	—
Comprehensive income attributed to common shareholders	**$ 1,132.5**	$ 1,053.8	$ 1,203.7

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

WEC ENERGY GROUP, INC.
CONSOLIDATED BALANCE SHEETS

At December 31 *(in millions, except share and per share amounts)*	2019	2018
Assets		
Current assets		
Cash and cash equivalents	**$ 37.5**	$ 84.5
Accounts receivable and unbilled revenues, net of reserves of $140.0 and $149.2, respectively	**1,176.5**	1,280.9
Materials, supplies, and inventories	**549.8**	548.2
Prepayments	**261.8**	256.8
Other	**68.0**	77.2
Current assets	**2,093.6**	2,247.6
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation and amortization of $8,878.7 and $8,636.6, respectively	**23,620.1**	22,000.9
Regulatory assets	**3,506.7**	3,805.1
Equity investment in transmission affiliates	**1,720.8**	1,665.3
Goodwill	**3,052.8**	3,052.8
Other	**957.8**	704.1
Long-term assets	**32,858.2**	31,228.2
Total assets	**$ 34,951.8**	$ 33,475.8
Liabilities and Equity		
Current liabilities		
Short-term debt	**$ 830.8**	$ 1,440.1
Current portion of long-term debt	**693.2**	365.0
Accounts payable	**908.1**	876.4
Accrued payroll and benefits	**199.8**	185.4
Other	**550.8**	464.8
Current liabilities	**3,182.7**	3,331.7
Long-term liabilities		
Long-term debt	**11,211.0**	9,994.0
Deferred income taxes	**3,769.3**	3,388.1
Deferred revenue, net	**497.1**	520.4
Regulatory liabilities	**3,992.8**	4,251.6
Environmental remediation liabilities	**589.2**	616.4
Pension and OPEB obligations	**326.2**	422.8
Other	**1,128.9**	1,108.1
Long-term liabilities	**21,514.5**	20,301.4
Commitments and contingencies (Note 23)		
Common shareholders' equity		
Common stock – $0.01 par value; 325,000,000 shares authorized; 315,434,531 and 315,523,192 shares outstanding, respectively	**3.2**	3.2
Additional paid in capital	**4,186.6**	4,250.1
Retained earnings	**5,927.7**	5,538.2
Accumulated other comprehensive loss	**(4.1)**	(2.6)
Common shareholders' equity	**10,113.4**	9,788.9
Preferred stock of subsidiary	**30.4**	30.4
Noncontrolling interests	**110.8**	23.4
Total liabilities and equity	**$ 34,951.8**	$ 33,475.8

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

WEC ENERGY GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 *(in millions)*	**2019**	2018	2017
Operating activities			
Net income	**$ 1,134.7**	$ 1,060.5	$ 1,204.9
Reconciliation to cash provided by operating activities			
Depreciation and amortization	**926.3**	845.8	798.6
Deferred income taxes and investment tax credits, net	**162.9**	297.3	271.7
Contributions and payments related to pension and OPEB plans	**(65.9)**	(77.6)	(120.5)
Equity income in transmission affiliates, net of distributions	**(2.9)**	(18.6)	(4.8)
Change in –			
Accounts receivable and unbilled revenues	**98.2**	23.5	(86.4)
Materials, supplies, and inventories	**(1.5)**	(8.8)	49.3
Other current assets	**(7.1)**	(10.0)	(7.1)
Accounts payable	**1.5**	110.6	8.5
Other current liabilities	**78.7**	(67.6)	161.8
Other, net	**20.6**	290.4	(197.4)
Net cash provided by operating activities	**2,345.5**	2,445.5	2,078.6
Investing activities			
Capital expenditures	**(2,260.8)**	(2,115.7)	(1,959.5)
Acquisition of Upstream, net of cash and restricted cash acquired of $9.2	**(268.2)**	—	—
Acquisition of Bishop Hill III, net of restricted cash acquired of $4.5	**—**	(162.9)	—
Acquisition of Forward Wind Energy Center	**—**	(77.1)	—
Acquisition of Coyote Ridge	**—**	(61.4)	—
Acquisition of Bluewater	**—**	—	(226.0)
Capital contributions to transmission affiliates	**(52.6)**	(53.5)	(109.6)
Proceeds from the sale of assets and businesses	**37.6**	12.1	24.0
Proceeds from the sale of investments held in rabbi trust	**0.2**	118.6	8.7
Purchase of investments held in rabbi trust	**—**	(65.0)	(3.7)
Reimbursement for ATC's construction costs	**32.4**	—	—
Other, net	**16.5**	20.5	12.0
Net cash used in investing activities	**(2,494.9)**	(2,384.4)	(2,254.1)
Financing activities			
Exercise of stock options	**67.0**	29.1	30.8
Purchase of common stock	**(140.1)**	(72.4)	(71.3)
Dividends paid on common stock	**(744.5)**	(697.3)	(656.5)
Issuance of long-term debt	**1,895.0**	1,740.0	435.0
Retirement of long-term debt	**(360.1)**	(953.3)	(154.5)
Change in short-term debt	**(609.3)**	(4.5)	584.4
Other, net	**(22.4)**	(15.2)	(6.5)
Net cash provided by financing activities	**85.6**	26.4	161.4
Net change in cash, cash equivalents, and restricted cash	**(63.8)**	87.5	(14.1)
Cash, cash equivalents, and restricted cash at beginning of year	**146.1**	58.6	72.7
Cash, cash equivalents, and restricted cash at end of year	**$ 82.3**	$ 146.1	$ 58.6

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

WEC ENERGY GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	WEC Energy Group Common Shareholders' Equity							
(in millions, except per share amounts)	**Common Stock**	**Additional Paid In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Common Shareholders' Equity**	**Preferred Stock of Subsidiary**	**Non-controlling Interests**	**Total Equity**
Balance at December 31, 2016	$ 3.2	$ 4,309.8	$ 4,613.9	$ 2.9	$ 8,929.8	$ 30.4	$ —	$ 8,960.2
Net income attributed to common shareholders	—	—	1,203.7	—	1,203.7	—	—	1,203.7
Common stock dividends of $2.08 per share	—	—	(656.5)	—	(656.5)	—	—	(656.5)
Exercise of stock options	—	30.8	—	—	30.8	—	—	30.8
Purchase of common stock	—	(71.3)	—	—	(71.3)	—	—	(71.3)
Cumulative effect adjustment from ASU 2016-09 adoption	—	—	15.7	—	15.7	—	—	15.7
Stock-based compensation and other	—	9.2	—	—	9.2	—	—	9.2
Balance at December 31, 2017	$ 3.2	$ 4,278.5	$ 5,176.8	$ 2.9	$ 9,461.4	$ 30.4	$ —	$ 9,491.8
Net income attributed to common shareholders	—	—	1,059.3	—	1,059.3	—	—	1,059.3
Other comprehensive loss	—	—	—	(6.1)	(6.1)	—	—	(6.1)
Common stock dividends of $2.21 per share	—	—	(697.3)	—	(697.3)	—	—	(697.3)
Exercise of stock options	—	29.1	—	—	29.1	—	—	29.1
Purchase of common stock	—	(72.4)	—	—	(72.4)	—	—	(72.4)
Cumulative effect adjustment from ASU 2018-02 adoption	—	—	(0.6)	0.6	—	—	—	—
Acquisition of noncontrolling interests	—	—	—	—	—	—	23.8	23.8
Stock-based compensation and other	—	14.9	—	—	14.9	—	(0.4)	14.5
Balance at December 31, 2018	$ 3.2	$ 4,250.1	$ 5,538.2	$ (2.6)	$ 9,788.9	$ 30.4	$ 23.4	$ 9,842.7
Net income attributed to common shareholders	**—**	**—**	**1,134.0**	**—**	**1,134.0**	**—**	**—**	**1,134.0**
Net loss attributed to noncontrolling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(0.5)**	**(0.5)**
Other comprehensive loss	**—**	**—**	**—**	**(1.5)**	**(1.5)**	**—**	**—**	**(1.5)**
Common stock dividends of $2.36 per share	**—**	**—**	**(744.5)**	**—**	**(744.5)**	**—**	**—**	**(744.5)**
Exercise of stock options	**—**	**67.0**	**—**	**—**	**67.0**	**—**	**—**	**67.0**
Purchase of common stock	**—**	**(140.1)**	**—**	**—**	**(140.1)**	**—**	**—**	**(140.1)**
Acquisition of a noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**—**	**69.0**	**69.0**
Capital contributions from noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**—**	**21.0**	**21.0**
Distributions to noncontrolling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(2.1)**	**(2.1)**
Stock-based compensation and other	**—**	**9.6**	**—**	**—**	**9.6**	**—**	**—**	**9.6**
Balance at December 31, 2019	**$ 3.2**	**$ 4,186.6**	**$ 5,927.7**	**$ (4.1)**	**$ 10,113.4**	**$ 30.4**	**$ 110.8**	**$10,254.6**

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

WEC ENERGY GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations—WEC Energy Group serves approximately 1.6 million electric customers and 2.9 million natural gas customers, and owns approximately 60% of ATC.

As used in these notes, the term "financial statements" refers to the consolidated financial statements. This includes the income statements, statements of comprehensive income, balance sheets, statements of cash flows, and statements of equity, unless otherwise noted. On our financial statements, we consolidate our majority-owned subsidiaries and reflect noncontrolling interests for the portion of entities that we do not own as a component of consolidated equity separate from the equity attributable to our shareholders. The noncontrolling interests that we reported as equity on our balance sheet as of December 31, 2019 related to the minority interests at Bishop Hill III, Coyote Ridge, and Upstream held by third parties.

Our financial statements include the accounts of WEC Energy Group, a diversified energy holding company, and the accounts of our subsidiaries in the following reportable segments:

- Wisconsin segment – Consists of WE, WPS, and WG, which are engaged primarily in the generation of electricity and the distribution of electricity and natural gas in Wisconsin; and UMERC, which generates electricity and distributes electricity and natural gas to customers located in the Upper Peninsula of Michigan.
- Illinois segment – Consists of PGL and NSG, which are engaged primarily in the distribution of natural gas in Illinois.
- Other states segment – Consists of MERC and MGU, which are engaged primarily in the distribution of natural gas in Minnesota and Michigan, respectively.
- Electric transmission segment – Consists of our approximate 60% ownership interest in ATC, a for-profit, electric transmission company regulated by the FERC and certain state regulatory commissions, and our approximate 75% ownership interest in ATC Holdco, which invests in transmission-related projects outside of ATC's traditional footprint.
- Non-utility energy infrastructure segment – Consists of We Power, which is principally engaged in the ownership of electric power generating facilities for long-term lease to WE, and Bluewater, which owns underground natural gas storage facilities in Michigan. WECI, which holds our ownership interests in several wind generating facilities, is also included in this segment. See Note 2, Acquisitions, for more information on Bluewater and the WECI wind generating facilities.
- Corporate and other segment – Consists of the WEC Energy Group holding company, the Integrys holding company, the PELLC holding company, Wispark, Bostco, Wisvest, WECC, WBS, and PDL. In the first quarter of 2017, we sold substantially all of the remaining assets of Bostco, and, in October 2018, Bostco was dissolved. In 2019, we sold certain PDL solar power generating facilities. See Note 3, Dispositions, for more information on these sales.

Investments in companies not controlled by us, but over which we have significant influence regarding the operating and financial policies of the investee, are accounted for using the equity method. We use the cumulative earnings approach for classifying distributions received in the statements of cash flows. Under the cumulative earnings approach, we compare the distributions received to cumulative equity method earnings since inception. Any distributions received up to the amount of cumulative equity earnings are considered a return on investment and classified in operating activities. Any excess distributions are considered a return of investment and classified in investing activities.

Our financial statements also reflect our proportionate interests in certain jointly owned utility facilities. See Note 7, Jointly Owned Utility Facilities, for more information.

(b) Basis of Presentation—We prepare our financial statements in conformity with GAAP. We make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

(c) Cash and Cash Equivalents—Cash and cash equivalents include marketable debt securities with an original maturity of three months or less.

(d) Operating Revenues—The following discussion includes our significant accounting policies related to operating revenues. For additional required disclosures on disaggregation of operating revenues, see Note 4, Operating Revenues.

Revenues from Contracts with Customers

Electric Utility Operating Revenues – Electricity sales to residential and commercial and industrial customers are generally accomplished through requirements contracts, which provide for the delivery of as much electricity as the customer needs. These contracts represent discrete deliveries of electricity and consist of one distinct performance obligation satisfied over time, as the electricity is delivered and consumed by the customer simultaneously. For our Wisconsin residential and commercial and industrial customers and the majority of our Michigan residential and commercial and industrial customers, our performance obligation is bundled to consist of both the sale and the delivery of the electric commodity. In our Michigan service territory, a limited number of residential and commercial and industrial customers can purchase the commodity from a third party. In this case, the delivery of the electricity represents our sole performance obligation.

The transaction price of the performance obligations for residential and commercial and industrial customers is valued using the rates, charges, terms, and conditions of service included in the tariffs of our regulated electric utilities, which have been approved by state regulators. These rates often have a fixed component customer charge and a usage-based variable component charge. We recognize revenue for the fixed component customer charge monthly using a time-based output method. We recognize revenue for the usage-based variable component charge using an output method based on the quantity of electricity delivered each month. Our retail electric rates in Wisconsin include base amounts for fuel and purchased power costs, which also impact our revenues. The electric fuel rules set by the PSCW allow us to defer, for subsequent rate recovery or refund, under- or over-collections of actual fuel and purchased power costs that exceed a 2% price variance from the costs included in the rates charged to customers. Our electric utilities monitor the deferral of under-collected costs to ensure that it does not cause them to earn a greater ROE than authorized by the PSCW. In contrast, the rates of our Michigan retail electric customers include recovery of fuel and purchased power costs on a one-for-one basis. In addition, the Wisconsin residential tariffs of WE and WPS include a mechanism for cost recovery or refund of uncollectible expense based on the difference between actual uncollectible write-offs and the amounts recovered in rates.

Wholesale customers who resell power can choose to either bundle capacity and electricity services together under one contract with a supplier or purchase capacity and electricity separately from multiple suppliers. Furthermore, wholesale customers can choose to have our utilities provide generation to match the customer's load, similar to requirements contracts, or they can purchase specified quantities of electricity and capacity. Contracts with wholesale customers that include capacity bundled with the delivery of electricity contain two performance obligations, as capacity and electricity are often transacted separately in the marketplace at the wholesale level. When recognizing revenue associated with these contracts, the transaction price is allocated to each performance obligation based on its relative standalone selling price. Revenue is recognized as control of each individual component is transferred to the customer. Electricity is the primary product sold by our electric utilities and represents a single performance obligation satisfied over time through discrete deliveries to a customer. Revenue from electricity sales is generally recognized as units are produced and delivered to the customer within the production month. Capacity represents the reservation of an electric generating facility and conveys the ability to call on a plant to produce electricity when needed by the customer. The nature of our performance obligation as it relates to capacity is to stand ready to deliver power. This represents a single performance obligation transferred over time, which generally represents a monthly obligation. Accordingly, capacity revenue is recognized on a monthly basis.

The transaction price of the performance obligations for wholesale customers is valued using the rates, charges, terms, and conditions of service, which have been approved by the FERC. These wholesale rates include recovery of fuel and purchased power costs from customers on a one-for-one basis. For the majority of our wholesale customers, the price billed for energy and capacity is a formula-based rate. Formula-based rates initially set a customer's current year rates based on the previous year's expenses. This is a predetermined formula derived from the utility's costs and a reasonable rate of return. Because these rates are eventually trued up to reflect actual, current-year costs, they represent a form of variable consideration in certain circumstances. The variable consideration is estimated and recognized over time as wholesale customers receive and consume the capacity and electricity services.

We are an active participant in the MISO Energy Markets, where we bid our generation into the Day Ahead and Real Time markets and procure electricity for our retail and wholesale customers at prices determined by the MISO Energy Markets. Purchase and sale transactions are recorded using settlement information provided by MISO. These purchase and sale transactions are accounted for on a net hourly position. Net purchases in a single hour are recorded as purchased power in cost of sales and net sales in a single hour are recorded as resale revenues on our income statements. For resale revenues, our performance obligation is created only when electricity is sold into the MISO Energy Markets.

For all of our customers, consistent with the timing of when we recognize revenue, customer billings generally occur on a monthly basis, with payments typically due in full within 30 days.

Natural Gas Utility Operating Revenues – We recognize natural gas utility operating revenues under requirements contracts with residential, commercial and industrial, and transportation customers served under the tariffs of our regulated utilities. Tariffs provide our customers with the standard terms and conditions, including rates, related to the services offered. Requirements contracts provide for the delivery of as much natural gas as the customer needs. These requirements contracts represent discrete deliveries of natural gas and constitute a single performance obligation satisfied over time. Our performance obligation is both created and satisfied with the transfer of control of natural gas upon delivery to the customer. For most of our customers, natural gas is delivered and consumed by the customer simultaneously. A performance obligation can be bundled to consist of both the sale and the delivery of the natural gas commodity. In certain of our service territories, customers can purchase the commodity from a third party. In this case, the performance obligation only includes the delivery of the natural gas to the customer.

The transaction price of the performance obligations for our natural gas customers is valued using the rates, charges, terms, and conditions of service included in the tariffs of our regulated utilities, which have been approved by state regulators. These rates often have a fixed component customer charge and a usage-based variable component charge. We recognize revenue for the fixed component customer charge monthly using a time-based output method. We recognize revenue for the usage-based variable component charge using an output method based on natural gas delivered each month.

The tariffs of our natural gas utilities include various rate mechanisms that allow them to recover or refund changes in prudently incurred costs from rate case-approved amounts. The rates for all of our natural gas utilities include one-for-one recovery mechanisms for natural gas commodity costs. We defer any difference between actual natural gas costs incurred and costs recovered through rates as a current asset or liability. The deferred balance is returned to or recovered from customers at intervals throughout the year. In addition, the rates of PGL and NSG, and the residential tariffs of WE, WPS, and WG, include riders or other mechanisms for cost recovery or refund of uncollectible expense based on the difference between actual uncollectible write-offs and the amounts recovered in rates. The rates of PGL and NSG include riders for cost recovery of both environmental cleanup costs, energy conservation and management program costs, and income tax expense changes resulting from the Tax Legislation. Finally, PGL's rates include a cost recovery mechanism for SMP costs, and similarly, MERC's rates include a rider to recover costs incurred to replace or modify natural gas facilities.

Consistent with the timing of when we recognize revenue, customer billings generally occur on a monthly basis, with payments typically due in full within 30 days.

Other Natural Gas Operating Revenues – We have other natural gas operating revenues from Bluewater, which is in our non-utility energy infrastructure segment. Bluewater has entered into long-term service agreements for natural gas storage services with WE, WPS, and WG, and provides service to several unaffiliated customers. All amounts associated with services from affiliates have been eliminated at the consolidated level.

Other Non-Utility Operating Revenues – As part of the construction of the We Power electric generating units, we capitalized interest during construction, which is included in property, plant, and equipment. As allowed by the PSCW, we collected these carrying costs from WE's utility customers during construction. The equity portion of these carrying costs was recorded as deferred revenue, and we continually amortize the deferred carrying costs to revenues over the life of the related lease term that We Power has with WE. During 2019 and 2018, we recorded $25.4 million and $25.3 million, respectively, of revenue related to these deferred carrying costs, which were included in the contract liability balance at the beginning of the period. This contract liability is presented as deferred revenue, net on our balance sheets.

Non-utility operating revenues are also derived from servicing appliances for customers at MERC. These contracts customarily have a duration of one year or less and consist of a single performance obligation satisfied over time. We use a time-based output method to recognize revenues monthly for the service fee.

Revenues from distributed renewable solar projects consist primarily of sales of renewable energy and SRECs generated by PDL. The sale of SRECs is a distinct performance obligation as they are often sold separately from the renewable energy generated. Although the performance obligation for the sale of renewable energy is recognized over time and the performance obligation for SRECs is recognized at a point-in-time, the timing of revenue recognition is the same, as the generation of renewable energy and sales of SREC's occur concurrently. See Note 3, Dispositions, for more information on the sale of certain of these solar facilities.

Wind generation revenues from WECI's ownership interests in wind generation facilities continued to grow with the acquisition of Upstream in January 2019. See Note 2, Acquisitions, for more information on Upstream, the December 2018 acquisition of Coyote Ridge, and other planned future acquisitions. Most of these wind generation facilities have offtake agreements with unaffiliated third parties for all of the energy to be produced by the facility. The contracts consist of one distinct performance obligation satisfied over time, as the electricity is delivered and consumed by the customer simultaneously. We recognize revenue as energy is produced and delivered to the customer within the production month. Upstream's revenue is substantially fixed over 10 years through an agreement with an unaffiliated third party.

Other Operating Revenues

Alternative Revenues – Alternative revenues are created from programs authorized by regulators that allow our utilities to record additional revenues by adjusting rates in the future, usually as a surcharge applied to future billings, in response to past activities or completed events. Alternative revenue programs allow compensation for the effects of weather abnormalities, other external factors, or demand side management initiatives. Alternative revenue programs can also provide incentive awards if the utility achieves certain objectives and in other limited circumstances. We record alternative revenues when the regulator-specified conditions for recognition have been met. We reverse these alternative revenues as the customer is billed, at which time this revenue is presented as revenues from contracts with customers.

Below is a summary of the alternative revenue programs at our utilities:

- The rates of PGL, NSG, and MERC include decoupling mechanisms. These mechanisms differ by state and allow the utilities to recover or refund the differences between actual and authorized margins for certain customer classes. See Note 25, Regulatory Environment, for more information.
- MERC's rates include a conservation improvement program rider, which includes a financial incentive for meeting energy savings goals.
- WE and WPS provide wholesale electric service to customers under market-based rates and FERC formula rates. The customer is charged a base rate each year based upon a formula using prior year actual costs and customer demand. A true-up is calculated based on the difference between the amount billed to customers for the demand component of their rates and what the actual cost of service was for the year. The true-up can result in an amount that we will recover from or refund to the customer. We consider the true-up portion of the wholesale electric revenues to be alternative revenues.

(e) Materials, Supplies, and Inventories—Our inventory as of December 31 consisted of:

(in millions)	**2019**	2018
Materials and supplies	**$ 234.2**	$ 226.6
Natural gas in storage	**227.7**	232.9
Fossil fuel	**87.9**	88.7
Total	**$ 549.8**	$ 548.2

PGL and NSG price natural gas storage injections at the calendar year average of the costs of natural gas supply purchased. Withdrawals from storage are priced on the LIFO cost method. Inventories stated on a LIFO basis represented approximately 19% and 16% of total inventories at December 31, 2019 and 2018, respectively. The estimated replacement cost of natural gas in inventory at December 31, 2019 and 2018, exceeded the LIFO cost by $9.8 million and $72.4 million, respectively. In calculating these replacement amounts, PGL and NSG used a Chicago city-gate natural gas price per Dth of $1.95 at December 31, 2019, and $3.08 at December 31, 2018.

Substantially all other materials and supplies, natural gas in storage, and fossil fuel inventories are recorded using the weighted-average cost method of accounting.

(f) Regulatory Assets and Liabilities—The economic effects of regulation can result in regulated companies recording costs and revenues that are allowed in the rate-making process in a period different from the period they would have been recognized by a nonregulated company. When this occurs, regulatory assets and regulatory liabilities are recorded on the balance sheet. Regulatory assets represent deferred costs probable of recovery from customers that would have otherwise been charged to expense. Regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or future costs already collected from customers in rates.

The recovery or refund of regulatory assets and liabilities is based on specific periods determined by our regulators or occurs over the normal operating period of the related assets and liabilities. If a previously recorded regulatory asset is no longer probable of recovery, the regulatory asset is reduced to the amount considered probable of recovery, and the reduction is charged to expense in the current period. See Note 5, Regulatory Assets and Liabilities, for more information.

(g) Property, Plant, and Equipment—We record property, plant, and equipment at cost. Cost includes material, labor, overhead, and both debt and equity components of AFUDC. Additions to and significant replacements of property are charged to property, plant, and equipment at cost; minor items are charged to other operation and maintenance expense. The cost of depreciable utility property less salvage value is charged to accumulated depreciation when property is retired.

We record straight-line depreciation expense over the estimated useful life of utility property using depreciation rates approved by the applicable regulators. Annual utility composite depreciation rates are shown below:

Annual Utility Composite Depreciation Rates	2019	2018	2017
WE	**3.11%**	3.18%	2.95%
WPS	**2.44%**	2.50%	2.55%
WG	**2.29%**	2.30%	2.30%
PGL	**3.20%**	3.25%	3.29%
NSG	**2.48%**	2.45%	2.43%
MERC *	**2.33%**	1.95%	2.51%
MGU	**2.54%**	2.61%	2.61%
UMERC	**2.87%**	2.50%	2.46%

* The 2018 rate reflects the impact of a new depreciation study approved by the MPUC in May 2018. The rates approved were effective retroactive to January 2017. An approximate $1.4 million reduction in depreciation expense was recorded in 2018 related to this depreciation study.

We depreciate our We Power assets over the estimated useful life of the various property components. The components have useful lives of between 10 to 45 years for PWGS 1 and PWGS 2 and 10 to 55 years for ER 1 and ER 2.

We capitalize certain costs related to software developed or obtained for internal use and record these costs to amortization expense over the estimated useful life of the related software, which ranges from 3 to 15 years. If software is retired prior to being fully amortized, the difference is recorded as a loss on the income statement.

Third parties reimburse the utilities for all or a portion of expenditures for certain capital projects. Such contributions in aid of construction costs are recorded as a reduction to property, plant, and equipment.

See Note 6, Property, Plant, and Equipment, for more information.

(h) Allowance for Funds Used During Construction—AFUDC is included in utility plant accounts and represents the cost of borrowed funds (AFUDC – Debt) used during plant construction, and a return on shareholders' capital (AFUDC – Equity) used for construction purposes. AFUDC – Debt is recorded as a reduction of interest expense, and AFUDC – Equity is recorded in other income, net.

The majority of AFUDC is recorded at WE, WPS, WBS, WG, and UMERC. Approximately 50% of WE's, WPS's, WG's, UMERC's, and WBS's retail jurisdictional CWIP expenditures are subject to the AFUDC calculation. The AFUDC calculation for WBS uses the WPS AFUDC retail rate, while our other utilities' AFUDC rates are determined by their respective state commissions, each with specific requirements. Based on these requirements, the other utilities did not record significant AFUDC for 2019, 2018, or 2017. Average AFUDC rates are shown below:

	2019	
	Average AFUDC Retail Rate	Average AFUDC Wholesale Rate
WE	**8.45%**	**5.11%**
WPS	**7.72%**	**2.58%**
WG	**8.33%**	**N/A**
UMERC	**6.28%**	**N/A**
WBS	**7.72%**	**N/A**

Our regulated utilities and WBS recorded the following AFUDC for the years ended December 31:

(in millions)	2019	2018	2017
AFUDC – Debt			
WE	**$ 1.5**	$ 1.5	$ 1.2
WPS	**2.4**	1.9	1.6
WG	**0.5**	0.2	0.3
UMERC	**1.3**	2.4	0.1
WBS	**0.1**	0.2	1.1
Other	**0.1**	0.7	0.6
Total AFUDC – Debt	**$ 5.9**	$ 6.9	$ 4.9
AFUDC – Equity			
WE	**$ 3.7**	$ 3.9	$ 3.1
WPS	**5.7**	4.6	4.1
WG	**1.3**	0.6	0.9
UMERC	**3.3**	5.4	0.2
WBS	**0.2**	0.6	3.0
Other	**0.2**	0.1	0.1
Total AFUDC – Equity	**$ 14.4**	$ 15.2	$ 11.4

(i) Cloud Computing Hosting Arrangements that are Service Contracts—We have entered into several cloud computing arrangements that are hosted service contracts as part of projects related to the continuous transformation of technology. These projects include, among other things, developing a centralized repository for data to improve analytics and reporting, targeted ERP systems, a project management tool, and a power generation employee scheduling system. We present prepaid hosting fees that are service contracts in either prepayments or other long-term assets on our balance sheets and amortize them as the hosting services are received. Amortization expense, as well as the fees associated with the hosting arrangements, is recorded in other operation and maintenance expense on our income statements.

As of January 1, 2020, we started capitalizing implementation costs related to cloud computing arrangements that are hosted service contracts. We will amortize the implementation costs on a straight-line basis over the cloud computing service arrangement term once the component of the hosted service is ready for its intended use. The presentation of these costs, along with the related amortization, will follow the prepaid hosting fees.

(j) Asset Impairment—Goodwill and other intangible assets with indefinite lives are subject to an annual impairment test. Interim impairment tests are performed when impairment indicators are present. Our reporting units containing goodwill perform annual goodwill impairment tests during the third quarter of each year. The carrying amount of the reporting unit's goodwill is considered not recoverable if the carrying amount of the reporting unit exceeds the reporting unit's fair value. An impairment loss is recorded for the excess of the carrying amount of the goodwill over its implied fair value. See Note 9, Goodwill, for more information. Intangible assets with definite lives are reviewed for impairment on a quarterly basis.

We periodically assess the recoverability of certain long-lived assets when factors indicate the carrying value of such assets may be impaired or such assets are planned to be sold. These assessments require significant assumptions and judgments by management. The long-lived assets assessed for impairment generally include certain assets within regulated operations that may not be fully recovered from our customers as a result of regulatory decisions that will be made in the future, as well as assets within nonregulated operations that are proposed to be sold or are currently generating operating losses. An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds the fair value of the asset. The carrying amount of an asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. An impairment loss is measured as the excess of the carrying amount of the asset in comparison to the fair value of the asset.

When it becomes probable that a generating unit will be retired before the end of its useful life, we assess whether the generating unit meets the criteria for abandonment accounting. Generating units that are considered probable of abandonment are expected to cease operations in the near term, significantly before the end of their original estimated useful lives. If a generating unit meets the applicable criteria to be considered probable of abandonment, and the unit has been abandoned, we assess the likelihood of recovery of the remaining net book value of that generating unit at the end of each reporting period. If it becomes probable that regulators will disallow full recovery as well as a return on the remaining net book value of a generating unit that is either abandoned or probable of being abandoned, an impairment loss may be required. An impairment loss would be recorded if the remaining net book value of the generating unit is greater than the present value of the amount expected to be recovered from ratepayers. See Note 6, Property, Plant, and Equipment, for more information.

The carrying amounts of equity method investments are assessed for impairment by comparing the fair values of these investments to their carrying amounts if a fair value assessment was completed or by reviewing for the presence of impairment indicators. If an impairment exists, and it is determined to be other-than-temporary, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the investment's fair value.

(k) Asset Retirement Obligations—We recognize, at fair value, legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and normal operation of the assets. An ARO liability is recorded, when incurred, for these obligations as long as the fair value can be reasonably estimated, even if the timing or method of settling the obligation is unknown. The associated retirement costs are capitalized as part of the related long-lived asset and are depreciated over the useful life of the asset. The ARO liabilities are accreted each period using the credit-adjusted risk-free interest rates associated with the expected settlement dates of the AROs. These rates are determined when the obligations are incurred. Subsequent changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the associated capitalized retirement costs. For our regulated entities, we recognize regulatory assets or liabilities for the timing differences between when we recover an ARO in rates and when we recognize the associated retirement costs. See Note 8, Asset Retirement Obligations, for more information.

(l) Stock-Based Compensation—In accordance with the shareholder approved Omnibus Stock Incentive Plan, we provide long-term incentives through our equity interests to our non-employee directors, officers, and other key employees. The plan provides for the granting of stock options, restricted stock, performance shares, and other stock-based awards. Awards may be paid in common stock, cash, or a combination thereof. The number of shares of common stock authorized for issuance under the plan is 34.3 million.

We recognize stock-based compensation expense on a straight-line basis over the requisite service period. Awards classified as equity awards are measured based on their grant-date fair value. Awards classified as liability awards are recorded at fair value each reporting period.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which modified certain aspects of the accounting for stock-based compensation awards. This ASU became effective for us on January 1, 2017. Under the new guidance, all excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the income statement on a prospective basis. Prior to January 1, 2017, these amounts were recorded in additional paid in capital on the balance sheet, and excess tax benefits could only be recognized to the extent they reduced taxes payable. In the first quarter of 2017, we recorded a $15.7 million cumulative-effect adjustment to increase retained earnings for excess tax benefits that had not been recognized in prior years as they did not reduce taxes payable. As allowed under this ASU, we have elected to account for forfeitures as they occur, rather than estimating potential future forfeitures and recording them over the vesting period.

Stock Options

We grant non-qualified stock options that generally vest on a cliff-basis after three years. The exercise price of a stock option under the plan cannot be less than 100% of our common stock's fair market value on the grant date. Historically, all stock options have been granted with an exercise price equal to the fair market value of our common stock on the date of the grant. Options vest immediately upon retirement, death, or disability; however, they may not be exercised within six months of the grant date except in the event of a change in control. Options expire no later than 10 years from the date of the grant.

Our stock options are classified as equity awards. The fair value of our stock options was calculated using a binomial option-pricing model. The following table shows the estimated weighted-average fair value per stock option granted along with the weighted-average assumptions used in the valuation models:

	2019	2018	2017
Stock options granted	**476,418**	710,710	552,215
Estimated weighted-average fair value per stock option	**$ 8.60**	$ 7.71	$ 7.45
Assumptions used to value the options:			
Risk-free interest rate	**2.5% – 2.7%**	1.6% – 2.8%	0.7% – 2.5%
Dividend yield	**3.6%**	3.5%	3.5%
Expected volatility	**17.0%**	18.0%	19.0%
Expected life (years)	**8.5**	5.9	6.8

The risk-free interest rate was based on the United States Treasury interest rate with a term consistent with the expected life of the stock options. The dividend yield was based on our dividend rate at the time of the grant and historical stock prices. Expected volatility and expected life assumptions were based on our historical experience.

Restricted Shares

Restricted shares granted to employees generally have a vesting period of three years with one-third of the award vesting on each anniversary of the grant date. This same vesting schedule is followed for restricted shares that were granted to non-employee directors prior to 2017. Restricted shares granted to certain officers and all non-employee directors after January 1, 2017, fully vest after one year.

Our restricted shares are classified as equity awards.

Performance Units

Officers and other key employees are granted performance units under the WEC Energy Group Performance Unit Plan. Under the plan, the ultimate number of units that will be awarded is dependent on our total shareholder return (stock price appreciation plus dividends) as compared to the total shareholder return of a peer group of companies over three years, as well as other performance metrics as may be determined by the Compensation Committee. Under the terms of the award, participants may earn between 0% and 175% of the performance unit award based on our total shareholder return. Pursuant to the terms of the plan, these percentages can be adjusted upwards or downwards based on our performance against additional performance measures, if any, adopted by the Compensation Committee. Performance units also accrue forfeitable dividend equivalents in the form of additional performance units.

All grants of performance units are settled in cash and are accounted for as liability awards accordingly. The fair value of the performance units reflects our estimate of the final expected value of the awards, which is based on our stock price and performance achievement under the terms of the award. Stock-based compensation costs are generally recorded over the performance period, which is three years.

See Note 10, Common Equity, for more information on our stock-based compensation plans.

(m) Earnings Per Share—We compute basic earnings per share by dividing our net income attributed to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed in a similar manner, but includes the exercise and/or conversion of all potentially dilutive securities. Such dilutive securities include in-the-money stock options. There were no securities that had an anti-dilutive effect for the years ended December 31, 2019, 2018, and 2017.

(n) Leases—In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which revised the previous guidance (Topic 840) regarding accounting for leases. Revisions include requiring a lessee to recognize a lease asset and a lease liability on its balance sheet for each lease, including operating leases with an initial term greater than 12 months. In addition, required quantitative and qualitative disclosures related to lease agreements were expanded.

As required, we adopted Topic 842 effective January 1, 2019. We utilized the following practical expedients, which were available under ASU 2016-02, in our adoption of the new lease guidance.

- We did not reassess whether any expired or existing contracts were leases or contained leases.
- We did not reassess the lease classification for any expired or existing leases (that is, all leases that were classified as operating leases in accordance with Topic 840 continue to be classified as operating leases, and all leases that were classified as capital leases in accordance with Topic 840 are classified as finance leases).
- We did not reassess the accounting for initial direct costs for any existing leases.

We did not elect the practical expedient allowing entities to account for the nonlease components in lease contracts as part of the single lease component to which they were related. Instead, in accordance with ASC 842-10-15-31, our policy is to account for each lease component separately from the nonlease components of the contract.

We did not elect the practical expedient to use hindsight in determining the lease term and in assessing impairment of our right of use assets. No impairment losses were included in the measurement of our right of use assets upon our adoption of Topic 842.

In January 2018, the FASB issued ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842, which is an amendment to ASU 2016-02. Land easements (also commonly referred to as rights of way) represent the right to use, access or cross another entity's land for a specified purpose. This new guidance permits an entity to elect a transitional practical expedient, to be applied consistently, to not evaluate under Topic 842 land easements that were already in existence or had expired at the time of the entity's adoption of Topic 842. Once Topic 842 is adopted, an entity is required to apply Topic 842 prospectively to all new (or modified) land easements to determine whether the arrangement should be accounted for as a lease. We elected this practical expedient, resulting in none of our land easements being treated as leases upon our adoption of Topic 842.

In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which amends ASU 2016-02 and allows entities the option to initially apply Topic 842 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, if required. We used the optional transition method to apply the new guidance as of January 1, 2019, rather than as of the earliest period presented. We did not require a cumulative-effect adjustment upon adoption of Topic 842.

Right of use assets and related lease liabilities related to our operating leases that were recorded upon adoption of Topic 842 were $49.0 million and $48.8 million, respectively. Regarding our power purchase agreement that meets the criteria of a finance lease, while the adoption of Topic 842 changed the classification of expense related to this lease on a prospective basis, it had no impact on the total amount of lease expense recorded, and did not impact the lease asset and related liability amounts recorded on our balance sheets.

Significant Judgments and Other Information

We are currently party to several easement agreements that allow us access to land we do not own for the purpose of constructing and maintaining certain electric power and natural gas equipment. The majority of payments we make related to easements relate to our wind generating facilities. We have not classified our easements as leases because we view the entire parcel of land specified in our easement agreements to be the identified asset, not just that portion of the parcel that contains our easement. As such, we have concluded that we do not control the use of an identified asset related to our easement agreements, nor do we obtain substantially all of the economic benefits associated with these shared-use assets.

As of February 27, 2020, we have not entered into any material leases that have not yet commenced.

See Note 14, Leases, for more information.

(o) Income Taxes—We follow the liability method in accounting for income taxes. Accounting guidance for income taxes requires the recording of deferred assets and liabilities to recognize the expected future tax consequences of events that have been reflected in our financial statements or tax returns and the adjustment of deferred tax balances to reflect tax rate changes. We are required to assess the likelihood that our deferred tax assets would expire before being realized. If we conclude that certain deferred tax assets are likely to expire before being realized, a valuation allowance would be established against those assets. GAAP requires that, if we conclude in a future period that it is more likely than not that some or all of the deferred tax assets would be realized before expiration, we reverse the related valuation allowance in that period. Any change to the allowance, as a result of a change in judgment about the realization of deferred tax assets, is reported in income tax expense.

Investment tax credits associated with regulated operations are deferred and amortized over the life of the assets. Production tax credits are recognized in the period in which such credits are generated. The amount of the credit is based upon power production from our qualifying generation facilities. We file a consolidated federal income tax return. Accordingly, we allocate federal current tax expense, benefits, and credits to our subsidiaries based on their separate tax computations and our ability to monetize all credits on our consolidated federal return. See Note 15, Income Taxes, for more information.

We recognize interest and penalties accrued, related to unrecognized tax benefits, in income tax expense in our income statements.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income. The amendments in this update allowed entities to reclassify the income tax effects that are stranded in accumulated other comprehensive income as a result of the Tax Legislation to retained earnings. These amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We early adopted the amendments in the fourth quarter of 2018 and reclassified the stranded tax effects associated with the Tax Legislation from accumulated other comprehensive income to retained earnings. As of December 31, 2018, our accumulated other comprehensive income decreased $0.6 million as a result of adopting ASU 2018-02. The adoption of this guidance had no impact on our results of operations or cash flows.

(p) Fair Value Measurements—Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Fair value accounting rules provide a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs within models or other valuation methods.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methods that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. We use a mid-market pricing convention (the mid-point price between bid and ask prices) as a practical measure for valuing certain derivative assets and liabilities. We primarily use a market approach for recurring fair value measurements and attempt to use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

When possible, we base the valuations of our derivative assets and liabilities on quoted prices for identical assets and liabilities in active markets. These valuations are classified in Level 1. The valuations of certain contracts not classified as Level 1 may be based on quoted market prices received from counterparties and/or observable inputs for similar instruments. Transactions valued using these inputs are classified in Level 2. Certain derivatives are categorized in Level 3 due to the significance of unobservable or internally-developed inputs.

See Note 16, Fair Value Measurements, for more information.

(q) Derivative Instruments—We use derivatives as part of our risk management program to manage the risks associated with the price volatility of interest rates, purchased power, generation, and natural gas costs for the benefit of our customers and shareholders. Our approach is non-speculative and designed to mitigate risk. Regulated hedging programs are approved by our state regulators.

We record derivative instruments on our balance sheets as assets or liabilities measured at fair value unless they qualify for the normal purchases and sales exception, and are so designated. We continually assess our contracts designated as normal and will discontinue the treatment of these contracts as normal if the required criteria are no longer met. Changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met or we receive regulatory treatment for the derivative. For most energy-related physical and financial contracts in our regulated operations that qualify as derivatives, our regulators allow the effects of fair value accounting to be offset to regulatory assets and liabilities.

We classify derivative assets and liabilities as current or long-term on our balance sheets based on the maturities of the underlying contracts. Cash flows from derivative activities are presented in the same category as the item being hedged within operating activities on our statements of cash flows.

Derivative accounting rules provide the option to present certain asset and liability derivative positions net on the balance sheets and to net the related cash collateral against these net derivative positions. We elected not to net these items. On our balance sheets, cash collateral provided to others is reflected in other current assets, and cash collateral received is reflected in other current liabilities. See Note 17, Derivative Instruments, for more information.

(r) Guarantees—We follow the guidance of the Guarantees Topic of the FASB ASC, which requires, under certain circumstances, that the guarantor recognize a liability for the fair value of the obligation undertaken in issuing the guarantee at its inception. See Note 18, Guarantees, for more information.

(s) Employee Benefits—The costs of pension and OPEB are expensed over the periods during which employees render service. These costs are distributed among our subsidiaries based on current employment status and actuarial calculations, as applicable. Our regulators allow recovery in rates for the utilities' net periodic benefit cost calculated under GAAP. See Note 19, Employee Benefits, for more information.

(t) Customer Deposits and Credit Balances—When utility customers apply for new service, they may be required to provide a deposit for the service. Customer deposits are recorded within other current liabilities on our balance sheets.

Utility customers can elect to be on a budget plan. Under this type of plan, a monthly installment amount is calculated based on estimated annual usage. During the year, the monthly installment amount is reviewed by comparing it to actual usage. If necessary, an adjustment is made to the monthly amount. Annually, the budget plan is reconciled to actual annual usage. Payments in excess of actual customer usage are recorded within other current liabilities on our balance sheets.

(u) Environmental Remediation Costs—We are subject to federal and state environmental laws and regulations that in the future may require us to pay for environmental remediation at sites where we have been, or may be, identified as a potentially responsible party. Loss contingencies may exist for the remediation of hazardous substances at various potential sites, including coal combustion product landfill sites and manufactured gas plant sites. See Note 8, Asset Retirement Obligations, for more information regarding coal combustion product landfill sites and Note 23, Commitments and Contingencies, for more information regarding manufactured gas plant sites.

We record environmental remediation liabilities when site assessments indicate remediation is probable and we can reasonably estimate the loss or a range of losses. The estimate includes both our share of the liability and any additional amounts that will not be paid by other potentially responsible parties or the government. When possible, we estimate costs using site-specific information but also consider historical experience for costs incurred at similar sites. Remediation efforts for a particular site generally extend over a period of several years. During this period, the laws governing the remediation process may change, as well as site conditions, potentially affecting the cost of remediation.

Our utilities have received approval to defer certain environmental remediation costs, as well as estimated future costs, through a regulatory asset. The recovery of deferred costs is subject to the applicable state Commission's approval.

We review our estimated costs of remediation annually for our manufactured gas plant sites and coal combustion product landfill sites. We adjust the liabilities and related regulatory assets, as appropriate, to reflect the new cost estimates. Any material changes in cost estimates are adjusted throughout the year.

(v) Customer Concentrations of Credit Risk—We provide regulated electric service to customers in Wisconsin and Michigan and regulated natural gas service to customers in Wisconsin, Illinois, Minnesota, and Michigan. The geographic concentration of our customers did not contribute significantly to our overall exposure to credit risk. We periodically review customers' credit ratings, financial statements, and historical payment performance and require them to provide collateral or other security as needed. Credit risk exposure at WE, WPS, WG, PGL, and NSG is mitigated by their recovery mechanisms for uncollectible expense discussed in Note 1(d), Operating Revenues. As a result, we did not have any significant concentrations of credit risk at December 31, 2019. In addition, there were no customers that accounted for more than 10% of our revenues for the year ended December 31, 2019.

NOTE 2—ACQUISITIONS

On January 1, 2018, we adopted ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01). The amendments in this update clarify the definition of a business and provide guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 also clarifies that transaction costs are capitalized in an asset acquisition but expensed in a business combination.

Acquisition of Wind Generation Facilities in Nebraska

In August 2019, WECI signed an agreement to acquire an 80% ownership interest in Thunderhead, a 300 MW wind generating facility under construction in Antelope and Wheeler counties in Nebraska, for a total investment of approximately $338 million. In February 2020, WECI agreed to acquire an additional 10% ownership interest in Thunderhead for $43 million. The project has an offtake agreement with an unaffiliated third party for all of the energy to be produced by the facility for 12 years. Under the Tax Legislation, WECI's investment in Thunderhead is expected to qualify for production tax credits and 100% bonus depreciation. The transaction is subject to FERC approval and commercial operation is expected to begin at the end of 2020, at which time the transaction is expected to close. Thunderhead will be included in the non-utility energy infrastructure segment.

In January 2019, WECI completed the acquisition of an 80% ownership interest in Upstream, a commercially operational 202.5 MW wind generating facility, for $268.2 million, which included transaction costs and is net of cash and restricted cash acquired of $9.2 million. In February 2020, WECI signed an agreement to acquire an additional 10% ownership interest in Upstream for $31 million. Upstream is located in Antelope County, Nebraska and supplies energy to the Southwest Power Pool. Upstream's revenue will be substantially fixed over 10 years through an agreement with an unaffiliated third party. Under the Tax Legislation, WECI's investment in Upstream qualifies for production tax credits and 100% bonus depreciation. Upstream is included in the non-utility energy infrastructure segment.

The table below shows the allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition.

(in millions)	
Current assets	**$ 1.5**
Net property, plant, and equipment	**341.6**
Other long-term assets *	**22.9**
Current liabilities	**(4.6)**
Long-term liabilities	**(15.0)**
Noncontrolling interest	**(69.0)**
Total purchase price	**$ 277.4**

* Includes $8.1 million of restricted cash.

Acquisition of a Wind Generation Facility in South Dakota

In December 2018, WECI acquired an 80% ownership interest in Coyote Ridge, a 96.7 MW wind generating facility located in Brookings County, South Dakota, for $61.4 million, which included transaction costs. In December 2019, Coyote Ridge achieved commercial operation and WECI made an additional investment of $84.0 million related to capital expenditures for the project for a total investment of $145.4 million. The project has an offtake agreement with an unaffiliated third party for all of the energy produced for 12 years. Under the Tax Legislation, WECI's investment in Coyote Ridge qualifies for production tax credits and 100% bonus depreciation. WECI is entitled to 99% of the tax benefits related to this facility for the first 11 years of commercial operation, after which we will be entitled to tax benefits equal to our ownership interest. Coyote Ridge is included in the non-utility energy infrastructure segment.

The table below shows the allocation of the purchase price to the assets acquired at the date of the acquisition.

(in millions)	
Net property, plant, and equipment	**$ 66.4**
Noncontrolling interest	**(5.0)**
Total purchase price	**$ 61.4**

Acquisition of Wind Generation Facilities in Illinois

In January 2020, WECI signed an agreement to acquire an 80% ownership interest in Blooming Grove, a 250 MW wind generating facility under construction in McLean County, Illinois, for a total investment of approximately $345 million. In February 2020, WECI agreed to acquire an additional 10% ownership interest in Blooming Grove for $44 million. Blooming Grove has long-term offtake agreements for all the energy produced with affiliates of two investment grade multinational companies. Under the Tax Legislation, WECI's investment in Blooming Grove is expected to qualify for production tax credits and 100% bonus depreciation. The transaction is subject to FERC approval and commercial operation is expected to begin by the end of 2020, at which time the transaction is expected to close. In addition to the customary covenants and closing conditions contained in the agreement, if Blooming Grove does not achieve commercial operation by the end of 2020 and any related potential adverse consequences are not otherwise mitigated, we may terminate the agreement in our sole discretion. Blooming Grove will be included in the non-utility energy infrastructure segment.

In August 2018, WECI completed the acquisition of an 80% ownership interest in Bishop Hill III, a 132.1 MW wind generating facility located in Henry County, Illinois, known as Bishop Hill III, for $144.7 million, which includes transaction costs and is net of restricted cash acquired of $4.5 million. In December 2018, WECI completed the acquisition of an additional 10% ownership interest in Bishop Hill III for $18.2 million. Bishop Hill III has an offtake agreement with an unaffiliated company for the sale of all of the energy produced by the facility for 22 years. Under the Tax Legislation, WECI's investment in Bishop Hill III qualifies for production tax credits and 100% bonus depreciation. Bishop Hill III is included in the non-utility energy infrastructure segment.

The table below shows the allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition.

(in millions)	
Current assets	$ 1.4
Net property, plant, and equipment	190.2
Other long-term assets *	4.5
Current liabilities	(1.6)
Long-term liabilities	(8.3)
Noncontrolling interest	(18.8)
Total purchase price	**$ 167.4**

* Represents restricted cash.

Acquisition of a Wind Generation Facility in Wisconsin

In April 2018, WPS, along with two unaffiliated utilities, completed the purchase of Forward Wind Energy Center, which consists of 86 wind turbines located in Wisconsin with a total capacity of 138 MW. The aggregate purchase price was $172.9 million of which WPS's proportionate share was 44.6%, or $77.1 million. In addition, WPS incurred $1.9 million of transaction costs that were recorded as a regulatory asset. Since 2008 and up until the acquisition, WPS purchased 44.6% of the facility's energy output under a power purchase agreement.

The table below shows the allocation of the purchase price to the assets acquired at the date of the acquisition, which are included in rate base.

(in millions)	
Current assets	$ 0.2
Net property, plant, and equipment	76.9
Total purchase price	**$ 77.1**

Under a joint ownership agreement with the two other utilities, WPS is entitled to its share of generating capability and output of the facility equal to its ownership interest. WPS is also paying its ownership share of additional capital expenditures and operating expenses. Forward Wind Energy Center is included in the Wisconsin segment.

Acquisition of Natural Gas Storage Facilities in Michigan

In June 2017, we completed the acquisition of Bluewater for $226.0 million. Bluewater owns natural gas storage facilities in Michigan that provide approximately one-third of the current storage needs for our Wisconsin natural gas utilities.

The table below shows the allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition. The excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed was recognized as goodwill. Bluewater is included in the non-utility energy infrastructure segment.

(in millions)	
Current assets	$ 2.0
Net property, plant, and equipment	217.6
Goodwill	7.3
Current liabilities	(0.9)
Total purchase price	**$ 226.0**

NOTE 3—DISPOSITIONS

Corporate and Other Segment

Sale of Certain WPS Power Development, LLC Solar Power Generation Facilities

In 2019, we sold four solar power generation facilities owned by PDL for $26.3 million. These solar facilities were located in Massachusetts. In 2019, we recorded an after-tax gain on the sales of $6.5 million primarily related to the recognition of deferred investment tax credits, which were included as a reduction of income tax expense on our income statements. The assets included in the sales were not material and, therefore, were not presented as held for sale. The results of operations of these facilities remained in continuing operations through the sale dates as the sales did not represent a shift in our corporate strategy and did not have a major effect on our operations and financial results.

Sale of Bostco LLC Real Estate Holdings

In March 2017, we sold the remaining real estate holdings of Bostco located in downtown Milwaukee, Wisconsin, which included retail, office, and residential space, and in October 2018, Bostco was dissolved. During the first quarter of 2017, we recorded an insignificant gain on the sale, which was included in other income, net on our income statements. The assets included in the sale were not material and, therefore, were not presented as held for sale. The results of operations associated with these assets remained in continuing operations through the sale date as the sale did not represent a shift in our corporate strategy and did not have a major effect on our operations and financial results.

NOTE 4—OPERATING REVENUES

For more information about our significant accounting policies related to operating revenues, see Note 1(d), Operating Revenues.

Disaggregation of Operating Revenues

The following tables present our operating revenues disaggregated by revenue source. We disaggregate revenues into categories that depict how the nature, amount, timing, and uncertainty of revenues and cash flows are affected by economic factors. For our segments, revenues are further disaggregated by electric and natural gas operations and then by customer class. Each customer class within our electric and natural gas operations have different expectations of service, energy and demand requirements, and are impacted by regulatory activities within their jurisdictions.

Comparable amounts have not been presented for the year ended December 31, 2017, due to our adoption of ASU 2014-09, Revenues from Contracts with Customers, under the modified retrospective method.

(in millions)	Wisconsin	Illinois	Other States	Total Utility Operations	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
Year ended December 31, 2019								
Electric	**$ 4,307.7**	**$ —**	**$ —**	**$ 4,307.7**	**$ —**	**$ —**	**$ —**	**$ 4,307.7**
Natural gas	**1,324.1**	**1,332.4**	**411.6**	**3,068.1**	**47.4**	**—**	**(44.1)**	**3,071.4**
Total regulated revenues	**5,631.8**	**1,332.4**	**411.6**	**7,375.8**	**47.4**	**—**	**(44.1)**	**7,379.1**
Other non-utility revenues	**—**	**0.1**	**16.6**	**16.7**	**55.2**	**4.0**	**(5.7)**	**70.2**
Total revenues from contracts with customers	**5,631.8**	**1,332.5**	**428.2**	**7,392.5**	**102.6**	**4.0**	**(49.8)**	**7,449.3**
Other operating revenues	**15.3**	**24.6**	**(2.2)**	**37.7**	**393.3**	**0.4**	**(357.6)**	**73.8**
Total operating revenues	**$ 5,647.1**	**$ 1,357.1**	**$ 426.0**	**$ 7,430.2**	**$ 495.9**	**$ 4.4**	**$ (407.4)**	**$ 7,523.1**

(in millions)	Wisconsin	Illinois	Other States	Total Utility Operations	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
Year ended December 31, 2018								
Electric	$ 4,432.4	$ —	$ —	$ 4,432.4	$ —	$ —	$ —	$ 4,432.4
Natural gas	1,350.6	1,406.9	428.4	3,185.9	45.4	—	(36.4)	3,194.9
Total regulated revenues	5,783.0	1,406.9	428.4	7,618.3	45.4	—	(36.4)	7,627.3
Other non-utility revenues	—	0.2	16.1	16.3	34.6	7.9	(5.8)	53.0
Total revenues from contracts with customers	5,783.0	1,407.1	444.5	7,634.6	80.0	7.9	(42.2)	7,680.3
Other operating revenues	11.7	(7.1)	(6.3)	(1.7)	388.4	0.8	(388.3)	(0.8)
Total operating revenues	$ 5,794.7	$ 1,400.0	$ 438.2	$ 7,632.9	$ 468.4	$ 8.7	$ (430.5)	$ 7,679.5

Revenues from Contracts with Customers

Electric Utility Operating Revenues – The following table disaggregates electric utility operating revenues into customer class:

	Electric Utility Operating Revenues	
	Year Ended December 31	
(in millions)	**2019**	**2018**
Residential	**$ 1,608.6**	$ 1,636.3
Small commercial and industrial	**1,384.6**	1,408.6
Large commercial and industrial	**871.9**	912.2
Other	**29.6**	29.9
Total retail revenues	**3,894.7**	3,987.0
Wholesale	**189.5**	210.1
Resale	**163.1**	192.2
Steam	**23.3**	24.1
Other utility revenues	**37.1**	19.0
Total electric utility operating revenues	**$ 4,307.7**	$ 4,432.4

Natural Gas Utility Operating Revenues – The following tables disaggregate natural gas utility operating revenues into customer class:

(in millions)	Wisconsin	Illinois	Other States	Total Natural Gas Utility Operating Revenues
Year Ended December 31, 2019				
Residential	**$ 837.9**	**$ 857.8**	**$ 258.2**	**$ 1,953.9**
Commercial and industrial	**419.9**	**261.7**	**148.7**	**830.3**
Total retail revenues	**1,257.8**	**1,119.5**	**406.9**	**2,784.2**
Transport	**72.6**	**245.3**	**31.6**	**349.5**
Other utility revenues *	**(6.3)**	**(32.4)**	**(26.9)**	**(65.6)**
Total natural gas utility operating revenues	**$ 1,324.1**	**$ 1,332.4**	**$ 411.6**	**$ 3,068.1**

(in millions)	Wisconsin	Illinois	Other States	Total Natural Gas Utility Operating Revenues
Year Ended December 31, 2018				
Residential	$ 834.5	$ 877.5	$ 263.3	$ 1,975.3
Commercial and industrial	436.7	266.9	140.0	843.6
Total retail revenues	1,271.2	1,144.4	403.3	2,818.9
Transport	70.8	244.1	31.8	346.7
Other utility revenues *	8.6	18.4	(6.7)	20.3
Total natural gas utility operating revenues	$ 1,350.6	$ 1,406.9	$ 428.4	$ 3,185.9

* Includes amounts collected from (refunded to) customers for purchased gas adjustment costs.

Other Non-Utility Operating Revenues – Other non-utility operating revenues consist primarily of the following:

	Year Ended December 31	
(in millions)	**2019**	**2018**
We Power revenues	**$ 25.4**	$ 25.3
Wind generation revenues	**24.0**	3.6
Appliance service revenues	**16.6**	15.9
Distributed renewable solar project revenues	**4.0**	8.0
Other	**0.2**	0.2
Total other non-utility operating revenues	**$ 70.2**	$ 53.0

Other Operating Revenues

Other operating revenues consist primarily of the following:

	Year Ended December 31	
(in millions)	2019	2018
Late payment charges	**$ 43.7**	$ 40.3
Alternative revenues *	**(9.6)**	(45.6)
Other	**39.7**	4.5
Total other operating revenues	**$ 73.8**	$ (0.8)

* Negative amounts can result from alternative revenues being reversed to revenues from contracts with customers as the customer is billed for these alternative revenues. Negative amounts can also result from revenues to be refunded to customers subject to decoupling mechanisms and wholesale true-ups, as discussed in Note 1(d), Operating Revenues.

NOTE 5—REGULATORY ASSETS AND LIABILITIES

The following regulatory assets were reflected on our balance sheets as of December 31:

(in millions)	2019	2018	See Note
Regulatory assets (1) (2)			
Pension and OPEB costs (3)	**$ 1,066.6**	$ 1,193.5	19
Plant retirements (4)	**856.4**	832.3	6
Environmental remediation costs (5)	**685.5**	687.1	23
Income tax related items (6)	**457.8**	369.1	15
SSR (7)	**151.5**	316.7	25
AROs	**137.5**	185.4	8
Uncollectible expense (8)	**52.2**	38.7	1(d)
Derivatives	**33.8**	17.8	1(q)
We Power generation (9)	**25.8**	43.0	
Electric transmission costs	**0.3**	58.1	25
Other, net	**60.2**	114.1	
Total regulatory assets	**$ 3,527.6**	$ 3,855.8	
Balance sheet presentation			
Other current assets	**$ 20.9**	$ 50.7	
Regulatory assets	**3,506.7**	3,805.1	
Total regulatory assets	**$ 3,527.6**	$ 3,855.8	

(1) Based on prior and current rate treatment, we believe it is probable that our utilities will continue to recover from customers the regulatory assets in this table. In accordance with GAAP, our regulatory assets do not include the allowance for ROE that is capitalized for regulatory purposes. This allowance was $24.3 million and $18.2 million at December 31, 2019 and 2018, respectively.

(2) As of December 31, 2019, we had $175.1 million of regulatory assets not earning a return, $29.1 million of regulatory assets earning a return based on short-term interest rates, and $151.5 million of regulatory assets earning a return based on long-term interest rates. The regulatory assets not earning a return primarily relate to certain environmental remediation costs, the recovery of which depends on the timing of the actual expenditures, as well as uncollectible expense, our electric real-time market pricing program, and unamortized loss on reacquired debt. The other regulatory assets in the table either earn a return at the applicable utility's weighted average cost of capital or the cash has not yet been expended, in which case the regulatory assets are offset by liabilities.

(3) Primarily represents the unrecognized future pension and OPEB costs related to our defined benefit pension and OPEB plans. We are authorized recovery of these regulatory assets over the average remaining service life of each plan.

(4) In accordance with the rate orders issued by the PSCW in December 2019, amounts previously collected from customers for the future removal of our recently retired plants were used to reduce our unrecovered plant balances during December 2019. Any additional removal costs that we incur will increase our plant retirement regulatory assets.

(5) As of December 31, 2019, we had made cash expenditures of $96.3 million related to these environmental remediation costs. The remaining $589.2 million represents our estimated future cash expenditures.

(6) For information on the flow through of tax repairs and the regulatory treatment of the impacts of the Tax Legislation in our various jurisdictions, see Note 25, Regulatory Environment.

(7) As a result of the rate order WE received from the PSCW in December 2019, the regulatory liability related to its mines deferral was offset against its SSR regulatory asset during December 2019. The rate order also authorized recovery of WE's SSR regulatory asset over a 15-year period that began on January 1, 2020.

(8) Represents amounts recoverable from customers related to our uncollectible expense tracking mechanisms and riders. These mechanisms allow us to recover or refund the difference between actual uncollectible write-offs and the amounts recovered in rates.

(9) Represents amounts recoverable from customers related to WE's costs of the generating units leased from We Power, including subsequent capital additions.

The following regulatory liabilities were reflected on our balance sheets as of December 31:

(in millions)	2019	2018	See Note
Regulatory liabilities			
Income tax related items [1]	**$ 2,248.8**	$ 2,406.6	15
Removal costs [2]	**1,181.5**	1,329.6	
Pension and OPEB benefits [3]	**354.9**	238.3	19
Energy costs refundable through rate adjustments [4]	**89.8**	39.6	1(d)
Earnings sharing mechanisms [5]	**43.5**	30.0	25
Electric transmission costs [5]	**42.2**	9.7	25
Uncollectible expense [6]	**39.1**	30.5	1(d)
Decoupling	**36.8**	30.5	1(d)
Energy efficiency programs [7]	**30.7**	31.7	
Derivatives	**6.7**	16.4	1(q)
Mines deferral [8]	**—**	120.8	
Other, net	**6.4**	4.7	
Total regulatory liabilities	**$ 4,080.4**	$ 4,288.4	
Balance sheet presentation			
Other current liabilities	**$ 87.6**	$ 36.8	
Regulatory liabilities	**3,992.8**	4,251.6	
Total regulatory liabilities	**$ 4,080.4**	$ 4,288.4	

(1) For information on the regulatory treatment of the impacts of the Tax Legislation in our various jurisdictions, see Note 25, Regulatory Environment.

(2) Represents amounts collected from customers to cover the future cost of property, plant, and equipment removals that are not legally required. Legal obligations related to the removal of property, plant, and equipment are recorded as AROs. See Note 8, Asset Retirement Obligations, for more information on our legal obligations.

(3) Primarily represents the unrecognized future pension and OPEB benefits related to our defined benefit pension and OPEB plans. We will amortize these regulatory liabilities into net periodic benefit cost over the average remaining service life of each plan.

(4) Represents an over-collection of energy costs that will be refunded to customers in the future. When the rates we charge to customers include energy costs that are higher than our actual energy costs, any over-collection outside of the allowable energy cost price variance is refunded to customers.

(5) Based on orders received from the PSCW, WE was required to apply the refunds due to customers from its earnings sharing mechanism to its electric transmission escrow through 2019. As a result, $38.6 million of WE's earnings sharing refunds were reflected in its electric transmission regulatory liability at December 31, 2019, and $37.2 million of WE's earnings sharing refunds were netted against its electric transmission regulatory asset at December 31, 2018.

(6) Represents amounts refundable to customers related to our uncollectible expense tracking mechanisms and riders. These mechanisms allow us to recover or refund the difference between actual uncollectible write-offs and the amounts recovered in rates.

(7) Represents amounts refundable to customers related to programs at the utilities designed to meet energy efficiency standards.

(8) Represents the deferral of revenues less the associated cost of sales related to Tilden, which were not included in the PSCW's 2015 rate order. As a result of the rate order WE received from the PSCW in December 2019, this regulatory liability was offset against WE's SSR regulatory asset during December 2019.

NOTE 6—PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at December 31:

(in millions)	2019	2018
Electric – generation	$ 6,858.8	$ 6,410.6
Electric – distribution	7,018.1	6,534.6
Natural gas – distribution, storage, and transmission	11,602.7	10,766.3
Property, plant, and equipment to be retired, net	—	174.8
Other	1,696.7	1,649.1
Less: Accumulated depreciation	8,073.7	7,573.6
Net	19,102.6	17,961.8
CWIP	820.4	707.5
Net utility property, plant, and equipment	19,923.0	18,669.3
We Power generation	3,245.7	3,244.4
Renewable generation	716.5	193.3
Natural gas storage	245.9	244.8
Net non-utility energy infrastructure	4,208.1	3,682.5
Corporate services	180.4	171.0
Other	88.8	127.1
Less: Accumulated depreciation	805.0	731.5
Net	3,672.3	3,249.1
CWIP	24.8	82.5
Net non-utility and other property, plant, and equipment	3,697.1	3,331.6
Total property, plant, and equipment	$ 23,620.1	$ 22,000.9

Pleasant Prairie Power Plant

The Pleasant Prairie power plant was retired on April 10, 2018. The net book value of this plant was $615.1 million at December 31, 2019, representing book value less cost of removal and accumulated depreciation. In addition, previously deferred unprotected tax benefits from the Tax Legislation related to the unrecovered balance of this plant were $20.6 million. The net amount of $594.5 million was classified as a regulatory asset on our balance sheets as a result of the retirement of the plant. This regulatory asset does not include certain other previously recorded deferred tax liabilities of $172.1 million related to the retired Pleasant Prairie power plant. Effective with its rate order issued by the PSCW in December 2019, WE will continue to amortize this regulatory asset on a straight-line basis through 2039, using the composite depreciation rates approved by the PSCW before this plant was retired. Amortization is included in depreciation and amortization in the income statement. WE has FERC approval to continue to collect the net book value of the Pleasant Prairie power plant using the approved composite depreciation rates, in addition to a return on the remaining net book value. Collection of the return of and on the net book value is no longer subject to refund as the FERC completed its prudency review and concluded that the retirement of this plant was prudent. WE received approval from the PSCW in December 2019 to collect a full return of and on all but $100 million of the net book value of the Pleasant Prairie power plant. In accordance with its PSCW rate order received in December 2019, WE will seek a financing order from the PSCW to securitize the remaining $100 million. See Note 25, Regulatory Environment, for more information.

Presque Isle Power Plant

Pursuant to MISO's April 2018 approval of the retirement of the PIPP, these units were retired on March 31, 2019. The net book value of the PIPP was $162.7 million at December 31, 2019, representing book value less cost of removal and accumulated depreciation. In addition, previously deferred unprotected tax benefits from the Tax Legislation related to the unrecovered balance of these units were $6.4 million. The net amount of $156.3 million was classified as a regulatory asset on our balance sheets as a result of the retirement of the plant. This regulatory asset does not include certain other previously recorded deferred tax liabilities of $46.5 million related to the retired PIPP. After the retirement of the PIPP, a portion of the regulatory asset and related cost of removal reserve was transferred to UMERC for recovery from its retail customers. Effective with its rate order issued by the PSCW in December 2019, WE received approval to collect a return of and on its share of the net book value of the PIPP, and as a result, will continue to amortize the regulatory assets on a straight-line basis through 2037, using the composite depreciation rates approved by the PSCW before the units were retired. UMERC will also continue to amortize the regulatory assets on a straight-line basis using the composite depreciation rates approved by the PSCW before the units were retired. Amortization is included in depreciation and amortization in the income statement. UMERC will address the accounting and regulatory treatment related to the retirement of the PIPP with the MPSC in conjunction with a future rate case. WE has FERC approval to continue to collect the net book value of the PIPP using the approved composite depreciation rates, in addition to a return on the net book value. However, this approval is subject to refund pending the outcome of settlement proceedings. See Note 25, Regulatory Environment, for more information.

Pulliam Power Plant

In connection with a MISO ruling, WPS retired Pulliam Units 7 and 8 on October 21, 2018. The net book value of the Pulliam units was $36.3 million at December 31, 2019, representing book value less cost of removal and accumulated depreciation. This amount was classified as a regulatory asset on our balance sheets as a result of the retirement of the plant. Effective with its rate order issued by the PSCW in December 2019, WPS received approval to collect a return of and on the entire net book value of the Pulliam units, and as a result, will continue to amortize this regulatory asset on a straight-line basis through 2031, using the composite depreciation rates approved by the PSCW before these generating units were retired. Amortization is included in depreciation and amortization in the income statement. WPS has FERC approval to continue to collect the net book value of the Pulliam power plant using the approved composite depreciation rates, in addition to a return on the remaining net book value. FERC has completed its prudency review of Pulliam, concluding that the retirement of this plant was prudent.

Edgewater Unit 4

The Edgewater 4 generating unit was retired on September 28, 2018. The net book value of the generating unit was $5.3 million at December 31, 2019, representing book value less cost of removal and accumulated depreciation. This amount was classified as a regulatory asset on our balance sheets as a result of the retirement of the plant. Effective with its rate order issued by the PSCW in December 2019, WPS received approval to collect a return of and on the entire net book value of the Edgewater 4 generating unit, and as a result, will continue to amortize this regulatory asset on a straight-line basis through 2026, using the composite depreciation rates approved by the PSCW before this generating unit was retired. Amortization is included in depreciation and amortization in the income statement. WPS has FERC approval to continue to collect the net book value of the Edgewater 4 generating unit using the approved composite depreciation rates, in addition to a return on the remaining net book value. FERC has completed its prudency review of Edgewater 4, concluding that the retirement of this plant was prudent.

Severance Liability for Plant Retirements

In December 2017, a severance liability of $29.4 million was recorded in other current liabilities on our balance sheets related to these plant retirements. Activity related to this severance liability for the years ended December 31 was as follows:

(in millions)	2019	2018
Severance liability at January 1	$ 15.7	$ 29.4
Severance payments	**(7.2)**	(10.7)
Other	**(6.4)**	(3.0)
Total severance liability at December 31	**$ 2.1**	$ 15.7

NOTE 7—JOINTLY OWNED UTILITY FACILITIES

We Power and WPS hold joint ownership interests in certain electric generating facilities. They are entitled to their share of generating capability and output of each facility equal to their respective ownership interest. They pay their ownership share of additional construction costs and have supplied their own financing for all jointly owned projects. We record We Power's and WPS's proportionate share of significant jointly owned electric generating facilities as property, plant, and equipment on the balance sheets.

We Power leases its ownership interest in ER 1 and ER 2 to WE, and WE operates these units. WE and WPS record their respective share of fuel inventory purchases and operating expenses, unless specific agreements have been executed to limit their maximum exposure to additional costs. WE's and WPS's proportionate share of direct expenses for the joint operation of these plants is recorded in operating expenses in the income statements.

Information related to jointly owned utility facilities at December 31, 2019 was as follows:

	We Power	WPS		
(in millions, except for percentages and MW)	Elm Road Generating Station Units 1 and 2	Weston Unit 4	Columbia Energy Center Units 1 and 2 (2)	Forward Wind Energy Center
Ownership	**83.34%**	**70.0%**	**27.6%**	**44.6%**
Share of rated capacity (MW) (1)	**1,054.3**	**386.0**	**313.9**	**8.4**
In-service date	**2010 and 2011**	**2008**	**1975 and 1978**	**2008**
Property, plant, and equipment	**$ 2,447.9**	**$ 663.2**	**$ 422.3**	**$ 118.7**
Accumulated depreciation	**$ (416.1)**	**$ (232.4)**	**$ (129.5)**	**$ (46.4)**
CWIP	**$ 0.8**	**$ 5.3**	**$ 1.8**	**$ 0.1**

(1) Capacity for our electric generation facilities is based on rated capacity, which is the net power output under average operating conditions with equipment in an average state of repair as of a given month in a given year. Values are primarily based on the net dependable expected capacity ratings for summer 2020 established by tests and may change slightly from year to year. The summer period is the most relevant for capacity planning purposes. This is a result of continually reaching demand peaks in the summer months, primarily due to air conditioning demand.

(2) Columbia Energy Center is jointly owned by Wisconsin Power and Light, Madison Gas and Electric, and WPS. In October 2016, Wisconsin Power and Light received an order from the PSCW approving amendments to the Columbia Energy Center joint operating agreement between the parties allowing WPS and Madison Gas and Electric to forgo certain capital expenditures at the Columbia Energy Center. As a result, Wisconsin Power and Light will incur these capital expenditures in exchange for a proportional increase in its ownership share of the Columbia Energy Center. Based upon the additional capital expenditures Wisconsin Power and Light expects to incur through June 1, 2020, WPS's ownership interest would decrease to 27.5%.

WPS has partnered with an unaffiliated utility to construct two solar projects in Wisconsin. Badger Hollow I is located in Iowa County, Wisconsin, and Two Creeks is located in Manitowoc County, Wisconsin. Once constructed, WPS will own 100 MW of the output of each project for a total of 200 MW. The PSCW approved the acquisition of these two projects in April 2019. Construction began at Two Creeks and Badger Hollow I in August 2019 and October 2019, respectively. Commercial operation of both projects is targeted for the end of 2020. The CWIP balances for Badger Hollow I and Two Creeks as of December 31, 2019 were $32.5 million and $87.3 million, respectively.

In August 2019, WE, along with an unaffiliated utility, filed an application with the PSCW for approval to acquire an ownership interest in a proposed solar project, Badger Hollow II, that will be located in Iowa County, Wisconsin. At its meeting on February 20, 2020, the PSCW approved the acquisition of this project. The approval is still subject to WE's receipt and review of a final written order from the PSCW. Once constructed, WE will own 100 MW of the output of this project. Commercial operation of Badger Hollow II is targeted for the end of 2021.

NOTE 8—ASSET RETIREMENT OBLIGATIONS

Our utilities have recorded AROs primarily for the removal of natural gas distribution mains and service pipes (including asbestos and PCBs); asbestos abatement at certain generation and substation facilities, office buildings, and service centers; the removal and dismantlement of biomass and hydro generation facilities; the dismantling of wind generation projects; the disposal of PCB-contaminated transformers; the closure of fly-ash landfills at certain generation facilities; and the removal of above ground storage tanks. Regulatory assets and liabilities are established by our utilities to record the differences between ongoing expense recognition under the ARO accounting rules and the rate-making practices for retirement costs authorized by the applicable regulators.

AROs have also been recorded at Bishop Hill III, Coyote Ridge, and Upstream for the dismantling of wind generation projects.

On our balance sheets, AROs are recorded within other long-term liabilities. The following table shows changes to our AROs during the years ended December 31:

(in millions)	2019	2018	2017
Balance as of January 1	**$ 461.4**	$ 573.7	$ 557.7
Accretion	**22.1**	28.0	27.5
Additions and revisions to estimated cash flows	**39.1** (1)	(104.5) (2)	26.5
Liabilities settled	**(39.1)**	(35.8)	(38.0)
Balance as of December 31	**$ 483.5**	$ 461.4	$ 573.7

(1) AROs increased $40.1 million in 2019, primarily due to new natural gas distribution lines being placed into service at PGL. Also in 2019, AROs increased $10.7 million as a result of AROs being recorded for the legal requirement to dismantle, at retirement, the wind generation projects known as Upstream and Coyote Ridge. See Note 2, Acquisitions, for more information on Upstream and Coyote Ridge. AROs decreased $7.3 million due to revisions made to estimated cash flows for the abatement of asbestos at WE.

(2) AROs decreased $127.3 million in 2018 due to revisions made to estimated cash flows primarily for changes in the cost to retire natural gas distribution pipe at PGL. Also in 2018, AROs increased $10.7 million as a result of revisions made to estimated cash flows for the abatement of asbestos at WPS's Pulliam power plant, and a $10.9 million ARO was recorded for the legal requirement to dismantle, at retirement, the wind generation projects known as Forward Wind Energy Center and Bishop Hill III. See Note 2, Acquisitions, for more information on Forward Wind Energy Center and Bishop Hill III.

NOTE 9—GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets acquired. The table below shows changes to our goodwill balances by segment during the years ended December 31, 2019 and 2018:

	Wisconsin		Illinois		Other States		Non-Utility Energy Infrastructure		Total	
(in millions)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Goodwill balance as of January 1	**$ 2,104.3**	$2,104.3	**$ 758.7**	$ 758.7	**$ 183.2**	$ 183.2	**$ 6.6**	$ 7.3	**$ 3,052.8**	$3,053.5
Adjustment to Bluewater purchase price allocation (1)	**—**	—	**—**	—	**—**	—	**—**	(0.7)	**—**	(0.7)
Goodwill balance as of December 31 (2)	**$ 2,104.3**	$2,104.3	**$ 758.7**	$ 758.7	**$ 183.2**	$ 183.2	**$ 6.6**	$ 6.6	**$ 3,052.8**	$3,052.8

(1) See Note 2, Acquisitions, for more information on the acquisition of Bluewater.

(2) We had no accumulated impairment losses related to our goodwill as of December 31, 2019.

As of July 1, 2019, annual impairment tests were completed at all of our reporting units that carried a goodwill balance. No impairments resulted from these tests.

NOTE 10—COMMON EQUITY

Stock-Based Compensation Plans

The following table summarizes our pre-tax stock-based compensation expense and the related tax benefit recognized in income for the years ended December 31:

(in millions)	**2019**	**2018**	**2017**
Stock options	**$ 4.4**	$ 5.2	$ 3.4
Restricted stock	**7.1**	10.7	5.4
Performance units	**38.7**	20.2	20.2
Stock-based compensation expense	**$ 50.2**	$ 36.1	$ 29.0
Related tax benefit	**$ 13.8**	$ 9.9	$ 11.6

Stock-based compensation costs capitalized during 2019, 2018, and 2017 were not significant.

Stock Options

The following is a summary of our stock option activity during 2019:

Stock Options	**Number of Options**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life *(in years)***	**Aggregate Intrinsic Value *(in millions)***
Outstanding as of January 1, 2019	4,452,533	$ 48.86		
Granted	**476,418**	**$ 68.18**		
Exercised	**(1,609,948)**	**$ 41.63**		
Forfeited	**(69,085)**	**$ 62.33**		
Outstanding as of December 31, 2019	**3,249,918**	**$ 54.98**	**6.3**	**$ 121.0**
Exercisable as of December 31, 2019	**1,744,386**	**$ 46.92**	**4.8**	**$ 79.0**

The aggregate intrinsic value of outstanding and exercisable options in the above table represents the total pre-tax intrinsic value that would have been received by the option holders had they exercised all of their options on December 31, 2019. This is calculated as the difference between our closing stock price on December 31, 2019, and the option exercise price, multiplied by the number of in-the-money stock options. The intrinsic value of options exercised during the years ended December 31, 2019, 2018, and 2017 was $62.4 million, $32.4 million, and $33.8 million, respectively. The actual tax benefit from option exercises for the same periods was approximately $17.1 million, $8.9 million, and $13.5 million, respectively.

As of December 31, 2019, approximately $2.1 million of unrecognized compensation cost related to unvested and outstanding stock options was expected to be recognized over the next 1.6 years on a weighted-average basis.

During the first quarter of 2020, the Compensation Committee awarded 512,139 non-qualified stock options with a weighted-average exercise price of $91.49 and a weighted-average grant date fair value of $10.82 per option to certain of our officers and other key employees under its normal schedule of awarding long-term incentive compensation.

Restricted Shares

The following restricted stock activity occurred during 2019:

Restricted Shares	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding and unvested as of January 1, 2019	234,627	$ 61.01
Granted	**97,343**	**$ 68.18**
Released	**(192,291)**	**$ 60.76**
Forfeited	**(5,570)**	**$ 62.99**
Outstanding and unvested as of December 31, 2019	**134,109**	**$ 66.48**

The intrinsic value of restricted stock released was $13.4 million, $7.9 million, and $5.4 million for the years ended December 31, 2019, 2018, and 2017, respectively. The actual tax benefit from released restricted shares for the same years was $3.7 million, $2.2 million, and $2.1 million, respectively.

As of December 31, 2019, approximately $2.4 million of unrecognized compensation cost related to unvested and outstanding restricted stock was expected to be recognized over the next 1.6 years on a weighted-average basis.

During the first quarter of 2020, the Compensation Committee awarded 84,540 restricted shares to certain of our directors, officers, and other key employees under its normal schedule of awarding long-term incentive compensation. The grant date fair value of these awards was $91.49 per share.

Performance Units

During 2019, 2018, and 2017, the Compensation Committee awarded 148,036; 217,560; and 237,650 performance units, respectively, to officers and other key employees under the WEC Energy Group Performance Unit Plan.

Performance units with an intrinsic value of $18.7 million, $9.7 million, and $6.7 million were settled during 2019, 2018, and 2017, respectively. The actual tax benefit from the distribution of performance units for the same years was $4.4 million, $2.2 million, and $2.1 million, respectively.

At December 31, 2019, we had 539,475 performance units outstanding, including dividend equivalents. A liability of $58.1 million was recorded on our balance sheet at December 31, 2019 related to these outstanding units. As of December 31, 2019, approximately $20.5 million of unrecognized compensation cost related to unvested and outstanding performance units was expected to be recognized over the next 1.6 years on a weighted-average basis.

During the first quarter of 2020, we settled performance units with an intrinsic value of $34.2 million. The actual tax benefit from the distribution of these awards was $8.4 million. In January 2020, the Compensation Committee also awarded 140,455 performance units to certain of our officers and other key employees under its normal schedule of awarding long-term incentive compensation.

Restrictions

Our ability as a holding company to pay common stock dividends primarily depends on the availability of funds received from our utility subsidiaries, We Power, ATC Holding, and WECI. Various financing arrangements and regulatory requirements impose certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans, or advances. All of our utility subsidiaries, with the exception of UMERC and MGU, are prohibited from loaning funds to us, either directly or indirectly.

In accordance with their most recent rate orders, WE, WPS, and WG may not pay common dividends above the test year forecasted amounts reflected in their respective rate cases, if it would cause their average common equity ratio, on a financial basis, to fall below their authorized level of 52.5%. A return of capital in excess of the test year amount can be paid by each company at the end of the year provided that their respective average common equity ratios do not fall below the authorized level.

WE may not pay common dividends to us under WE's Restated Articles of Incorporation if any dividends on its outstanding preferred stock have not been paid. In addition, pursuant to the terms of WE's 3.60% Serial Preferred Stock, WE's ability to declare common dividends would be limited to 75% or 50% of net income during a twelve month period if its common stock equity to total capitalization, as defined in the preferred stock designation, is less than 25% and 20%, respectively.

NSG's long-term debt obligations contain provisions and covenants restricting the payment of cash dividends and the purchase or redemption of its capital stock.

The long-term debt obligations of UMERC, Bluewater Gas Storage, and ATC Holding contain a provision requiring them to maintain a total funded debt to capitalization ratio of 65% or less.

WEC Energy Group and Integrys have the option to defer interest payments on their junior subordinated notes, from time to time, for one or more periods of up to 10 consecutive years per period. During any period in which they defer interest payments, they may not declare or pay any dividends or distributions on, or redeem, repurchase or acquire, their respective common stock.

See Note 12, Short-Term Debt and Lines of Credit, for discussion of certain financial covenants related to short-term debt obligations.

As of December 31, 2019, restricted net assets of our consolidated subsidiaries totaled approximately $7.4 billion. Our equity in undistributed earnings of investees accounted for by the equity method was approximately $363 million.

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

Share Purchases

We have instructed our independent agents to purchase shares on the open market to fulfill obligations under various stock-based employee benefit and compensations plans and to provide shares to participants in our dividend reinvestment and stock purchase plan. As a result, no new shares of common stock were issued in 2019, 2018, or 2017.

The following is a summary of shares purchased to fulfill exercised stock options and restricted stock awards during the years ended December 31:

(in millions)	2019	2018	2017
Shares purchased	**1.8**	1.1	1.1
Cost of shares purchased	**$ 140.1**	$ 72.4	$ 71.3

Common Stock Dividends

During the year ended December 31, 2019, our Board of Directors declared common stock dividends which are summarized below:

Date Declared	Date Payable	Per Share	Period
January 17, 2019	March 1, 2019	$0.59	First quarter
April 18, 2019	June 1, 2019	$0.59	Second quarter
July 18, 2019	September 1, 2019	$0.59	Third quarter
October 17, 2019	December 1, 2019	$0.59	Fourth quarter

On January 16, 2020, our Board of Directors declared a quarterly cash dividend of $0.6325 per share, which equates to an annual dividend of $2.53 per share. The dividend is payable on March 1, 2020, to shareholders of record on February 14, 2020. In addition, the Board of Directors affirmed our dividend policy that continues to target a dividend payout ratio of 65-70% of earnings.

NOTE 11—PREFERRED STOCK

The following table shows preferred stock authorized and outstanding at December 31, 2019 and 2018:

(in millions, except share and per share amounts)	Shares Authorized	Shares Outstanding	Redemption Price Per Share	Total
WEC Energy Group				
$.01 par value Preferred Stock	**15,000,000**	**—**	**—**	**$ —**
WE				
$100 par value, Six Per Cent. Preferred Stock	**45,000**	**44,498**	**—**	**4.4**
$100 par value, Serial Preferred Stock 3.60% Series	**2,286,500**	**260,000**	**$ 101**	**26.0**
$25 par value, Serial Preferred Stock	**5,000,000**	**—**	**—**	**—**
WPS				
$100 par value, Preferred Stock	**1,000,000**	**—**	**—**	**—**
PGL				
$100 par value, Cumulative Preferred Stock	**430,000**	**—**	**—**	**—**
NSG				
$100 par value, Cumulative Preferred Stock	**160,000**	**—**	**—**	**—**
Total				**$ 30.4**

NOTE 12—SHORT-TERM DEBT AND LINES OF CREDIT

The following table shows our short-term borrowings and their corresponding weighted-average interest rates as of December 31:

(in millions, except percentages)	2019	2018
Commercial paper		
Amount outstanding at December 31	**$ 830.8**	$ 1,440.1
Average interest rate on amounts outstanding at December 31	**2.00%**	2.92%

Our average amount of commercial paper borrowings based on daily outstanding balances during 2019, was $1,039.2 million with a weighted-average interest rate during the period of 2.58%.

WEC Energy Group, WE, WPS, WG, and PGL have entered into bank back-up credit facilities to maintain short-term credit liquidity which, among other terms, require them to maintain, subject to certain exclusions, a total funded debt to capitalization ratio of 70.0%, 65.0%, 65.0%, 65.0%, and 65.0% or less, respectively. As of December 31, 2019, all companies were in compliance with their respective ratio.

The information in the table below relates to our revolving credit facilities used to support our commercial paper borrowing program, including remaining available capacity under these facilities as of December 31:

(in millions)	Maturity	2019
WEC Energy Group	October 2022	**$ 1,200.0**
WE	October 2022	**500.0**
WPS	October 2022	**400.0**
WG	October 2022	**350.0**
PGL	October 2022	**350.0**
Total short-term credit capacity		**$ 2,800.0**
Less:		
Letters of credit issued inside credit facilities		**$ 2.3**
Commercial paper outstanding		**830.8**
Available capacity under existing agreements		**$ 1,966.9**

Each of these facilities has a renewal provision for two extensions, subject to lender approval. Each extension is for a period of one year.

The bank back-up credit facilities contain customary covenants, including certain limitations on the respective companies' ability to sell assets. The credit facilities also contain customary events of default, including payment defaults, material inaccuracy of representations and warranties, covenant defaults, bankruptcy proceedings, certain judgments, Employee Retirement Income Security Act of 1974 defaults, and change of control. In addition, pursuant to the terms of our credit agreement, we must ensure that certain of our subsidiaries comply with several of the covenants contained therein.

NOTE 13—LONG-TERM DEBT

The following table is a summary of our long-term debt outstanding (excluding finance/capital leases) as of December 31:

(in millions)	2019			2018	
Long-term debt	**Maturity Date**	**Weighted Average Interest Rate**	**Balance**	**Weighted Average Interest Rate**	**Balance**
WEC Energy Group Senior Notes (unsecured) [1]	2020-2033	**3.47%**	**$ 2,050.0**	3.54%	$ 1,700.0
WEC Energy Group Junior Notes (unsecured) [1] [2]	2067	**4.50%**	**500.0**	4.85%	500.0
WE Debentures (unsecured)	2021-2095	**4.26%**	**2,785.0**	4.50%	2,735.0
WPS Senior Notes (unsecured)	2021-2049	**4.04%**	**1,625.0**	4.21%	1,325.0
WG Debentures (unsecured)	2024-2046	**3.65%**	**640.0**	4.04%	490.0
Integrys Senior Notes (unsecured)	2020	**4.17%**	**250.0**	4.17%	250.0
Integrys Junior Notes (unsecured) [3]	2073	**6.00%**	**400.0**	6.00%	400.0
PGL First and Refunding Mortgage Bonds (secured) [4]	2024-2047	**3.59%**	**1,520.0**	3.88%	1,195.0
NSG First Mortgage Bonds (secured) [5]	2027-2043	**3.81%**	**132.0**	3.81%	132.0
MERC Senior Notes (unsecured)	2027-2047	**3.51%**	**120.0**	3.51%	120.0
MGU Senior Notes (unsecured)	2027-2047	**3.51%**	**90.0**	3.51%	90.0
UMERC Senior Notes (unsecured)	2029	**3.26%**	**160.0**	N/A	—
Bluewater Gas Storage Senior Notes (unsecured) [6]	2020-2047	**3.76%**	**120.3**	3.76%	122.7
ATC Holding Senior Notes (unsecured)	2025-2030	**4.05%**	**475.0**	4.34%	240.0
We Power Subsidiaries Notes (secured, nonrecourse) [6] [7]	2020-2041	**5.57%**	**1,005.2**	5.56%	1,037.9
WECC Notes (unsecured)	2028	**6.94%**	**50.0**	6.94%	50.0
Total			**11,922.5**		10,387.6
Integrys acquisition fair value adjustment			**14.3**		20.6
Unamortized debt issuance costs			**(52.9)**		(44.7)
Unamortized discount, net and other			**(25.6)**		(27.8)
Total long-term debt, including current portion [8]			**11,858.3**		10,335.7
Current portion of long-term debt			**(686.9)**		(360.1)
Total long-term debt			**$ 11,171.4**		$ 9,975.6

(1) In connection with our outstanding 2007 Junior Notes, we executed an RCC, which we amended on June 29, 2015, for the benefit of persons that buy, hold, or sell a specified series of our long-term indebtedness (covered debt). Our 6.20% Senior Notes due April 1, 2033 have been designated as the covered debt under the RCC. The RCC provides that we may not redeem, defease, or purchase, and that our subsidiaries may not purchase, any 2007 Junior Notes on or before May 15, 2037, unless, subject to certain limitations described in the RCC, we have received a specified amount of proceeds from the sale of qualifying securities.

(2) Variable interest rate reset quarterly. The rates were 4.02% and 4.73% as of December 31, 2019 and 2018, respectively. On July 12, 2018 we executed two interest rate swaps that provided a fixed rate of 4.9765% on $250.0 million of the outstanding notes. The effective rates of 4.50% and 4.85% as of December 31, 2019 and 2018, respectively, were blended rates of the variable and fixed portions.

(3) Effective August 2023, Integrys's $400.0 million of 2013 6.00% Junior Subordinated Notes due 2073 will bear interest at the three-month LIBOR plus 322 basis points and will reset quarterly.

(4) PGL's First Mortgage Bonds are subject to the terms and conditions of PGL's First Mortgage Indenture dated January 2, 1926, as supplemented. Under the terms of the Indenture, substantially all property owned by PGL is pledged as collateral for these outstanding debt securities.

PGL has used certain First Mortgage Bonds to secure tax exempt interest rates. The Illinois Finance Authority has issued Tax Exempt Bonds, and the proceeds from the sale of these bonds were loaned to PGL. In return, PGL issued equal principal amounts of certain collateralized First Mortgage Bonds.

The mandatory reset date for PGL's $50.0 million of 1.875% Bonds, series WW, is August 1, 2020.

(5) NSG's First Mortgage Bonds are subject to the terms and conditions of NSG's First Mortgage Indenture dated April 1, 1955, as supplemented. Under the terms of the Indenture, substantially all property owned by NSG is pledged as collateral for these outstanding debt securities.

(6) The long-term debt of Bluewater and We Power's subsidiaries amortizes on a mortgage-style basis.

(7) We Power's subsidiaries' senior notes are secured by a collateral assignment of the leases between We Power's subsidiaries and WE related to PWGS and ERGS, as applicable.

(8) The amount of long-term debt on our balance sheets includes finance/capital lease obligations of $45.9 million and $23.3 million at December 31, 2019 and 2018, respectively.

We amortize debt premiums, discounts, and debt issuance costs over the life of the debt and we include the costs in interest expense.

WEC Energy Group, Inc.

In March 2019, we issued $350.0 million of 3.10% Senior Notes due March 8, 2022. We used the net proceeds to repay short-term debt, and for working capital and other general corporate purposes.

Wisconsin Electric Power Company

In December 2019, WE issued $300.0 million of 2.05% Debentures due December 15, 2024, and used the net proceeds to repay WE's $250.0 million of 4.25% Debentures which matured in December 2019, to repay short-term debt, and for working capital and other corporate purposes.

Wisconsin Public Service Corporation

In August 2019, WPS issued $300.0 million of 3.30% Senior Notes due September 1, 2049, and used the net proceeds to repay short-term debt and for working capital and other corporate purposes.

Wisconsin Gas LLC

In October 2019, WG issued $150.0 million of 2.38% Debentures due November 1, 2024, and used the net proceeds to repay short-term debt and for working capital and other corporate purposes.

The Peoples Gas Light and Coke Company

In September 2019, PGL issued $275.0 million of 2.96% Bonds, Series GGG due September 1, 2029. PGL used the net proceeds to repay PGL's $75.0 million of 4.63% Bonds, Series UU which matured in September 2019, and for general corporate purposes, including capital expenditures and the repayment of short-term debt.

In November 2019, PGL issued $75.0 million of 2.64% Bonds, Series HHH due November 1, 2024 and $50.0 million of 3.06% Bonds, Series III due November 1, 2031. PGL used the net proceeds for general corporate purposes, including capital expenditures and the repayment of short-term debt.

Upper Michigan Energy Resources Corporation

In August 2019, UMERC issued $160.0 million of 3.26% Senior Notes due August 28, 2029, and used the net proceeds to redeem its long-term debt to WEC Energy Group and for working capital and general corporate purposes.

ATC Holding LLC

In September 2019, ATC Holding issued $235.0 million of 3.75% Senior Notes due September 16, 2029, and used the net proceeds to balance its capital structure.

The following table shows the long-term debt securities (excluding finance leases) maturing within one year of December 31, 2019:

(in millions)	Interest Rate	Maturity Date *	Principal Amount
WEC Energy Group Senior Notes (unsecured)	2.45%	June	$ 400.0
Integrys Senior Notes (unsecured)	4.17%	November	250.0
Bluewater Gas Storage Senior Notes (unsecured)	3.76%	Semi-annually	2.5
We Power Subsidiaries Notes – PWGS (secured, nonrecourse)	4.91%	Monthly	6.6
We Power Subsidiaries Notes – ERGS (secured, nonrecourse)	5.209%	Semi-annually	12.6
We Power Subsidiaries Notes – ERGS (secured, nonrecourse)	4.673%	Semi-annually	9.7
We Power Subsidiaries Notes – PWGS (secured, nonrecourse)	6.00%	Monthly	5.5
Total			$ 686.9

* Maturity dates listed as semi-annually and monthly are associated with debt that amortizes on a mortgage-style basis.

The following table shows the future maturities of our long-term debt outstanding (excluding obligations under finance leases) as of December 31, 2019:

(in millions)	Payments
2020	$ 686.9
2021	1,338.8
2022	390.8
2023	42.8
2024	570.0
Thereafter	8,893.2
Total	$ 11,922.5

Certain long-term debt obligations contain financial and other covenants related to payment of principal and interest when due, maintaining certain total funded debt to capitalization ratios, and various other obligations. Failure to comply with these covenants could result in an event of default, which could result in the acceleration of outstanding debt obligations.

NOTE 14—LEASES

Obligations Under Operating Leases

We have recorded right of use assets and lease liabilities associated with the following operating leases.

- Leases of office space, primarily related to several floors we are leasing in the Aon Center office building in Chicago, Illinois, though April 2029.
- Land we are leasing related to our Rothschild biomass plant through June 2051.
- Rail cars we are leasing to transport coal to various generating facilities through February 2021.

The operating leases generally require us to pay property taxes, insurance premiums, and operating and maintenance costs associated with the leased property. Many of our leases contain options to renew past the initial term, as set forth in the lease agreement.

Obligations Under Finance Lease

Power Purchase Commitment

In 1997, we entered into a 25-year power purchase contract with an unaffiliated independent power producer. The contract, for 236 MWs of firm capacity from a natural gas-fired cogeneration facility, includes zero minimum energy requirements. When the contract expires in 2022, we may, at our option and with proper notice, renew for another ten years, purchase the generating facility at fair market value, or allow the contract to expire. At lease inception we recorded this leased facility and corresponding obligation on our balance sheets at the estimated fair value of the plant's electric generating facilities. Minimum lease payments are a function of the 236 MWs of firm capacity we receive from the plant and the fixed monthly capacity rate published in the lease.

Prior to our adoption of Topic 842 on January 1, 2019, we accounted for this finance lease under Topic 980-840, Regulated Operations – Leases, as follows:

- We recorded our minimum lease payments as purchased power expense in cost of sales on our income statement.
- We recorded the difference between the minimum lease payments and the sum of imputed interest and amortization costs calculated under finance lease accounting rules as a deferred regulatory asset on our balance sheets.

In conjunction with our adoption of Topic 842, while the timing of expense recognition related to this finance lease did not change, classification of the lease expense changed as follows:

- Effective January 1, 2019, the minimum lease payments under the power purchase contract were no longer classified within cost of sales in our income statements, but were instead recorded as a component of depreciation and amortization and interest expense in accordance with Topic 980-842, Regulated Operations – Leases.
- In accordance with Topic 980-842, the timing of lease expense did not change for this finance lease upon adoption of Topic 842, and still resembled the expense recognition pattern of an operating lease, as the amortization of the right of use assets was modified from what would typically be recorded for a finance lease under Topic 842.

- We continue to record the difference between the minimum lease payments and the sum of imputed interest and unadjusted amortization costs calculated under the finance lease accounting rules as a deferred regulatory asset on our balance sheets.

Due to the timing and the amounts of the minimum lease payments, the regulatory asset increased to $78.5 million in 2009, at which time the regulatory asset began to be reduced to zero over the remaining life of the contract. The total obligation under the finance lease was $18.4 million at December 31, 2019, and will decrease to zero over the remaining life of the contract.

Two Creeks Solar Project

Related to its investment in Two Creeks, WPS, along with an unaffiliated utility, entered into several land leases in Manitowoc County, Wisconsin that commenced in the third quarter of 2019. The leases with unaffiliated parties are for a total of approximately 600 acres of land. Each lease has an initial term of 30 years with two optional 10-year extensions. We expect the two optional extensions to be exercised, and, as a result, the land leases are being amortized over the 50-year extended term of the leases. The lease payments are being recovered through rates.

We treat these land lease contracts as operating leases for rate-making purposes. Our total obligation under the finance leases for Two Creeks was $7.7 million as of December 31, 2019, and will decrease to zero over the remaining lives of the leases.

Badger Hollow Solar Farm I

Related to its investment in Badger Hollow I, WPS, along with an unaffiliated utility, entered into several land leases in Iowa County, Wisconsin that commenced in the third quarter of 2019. The leases are for a total of approximately 1,400 acres of land. Each lease has an initial construction term that ends upon achieving commercial operation, then automatically extends for 25 years with an option for an additional 25-year extension. We expect the optional extension to be exercised, and, as a result, the land leases are being amortized over the extended term of the leases. The lease payments will be recovered through rates.

We treat these land lease contracts as operating leases for rate-making purposes. Our total obligation under the finance leases for Badger Hollow I was $19.8 million as of December 31, 2019, and will decrease to zero over the remaining lives of the leases.

Amounts Recognized in the Financial Statements

The components of lease expense and supplemental cash flow information related to our leases for the years ended December 31 are as follows:

(in millions)	2019	2018	2017
Finance/capital lease expense [1]	**$ 8.2**	$ 7.7	$ 7.2
Operating lease expense [2]	**5.5**	5.6	6.4
Short-term lease expense [2]	**0.6**	1.5	0.8
Total lease expense	**$ 14.3**	$ 14.8	$ 14.4
Other information			
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from finance/capital leases [3]	**$ 3.3**	$ 7.7	$ 7.2
Operating cash flows from operating leases	**$ 6.0**	$ 6.5	$ 7.1
Financing cash flows from finance leases [3]	**$ 4.9**		
Non-cash activities:			
Right of use assets obtained in exchange for finance lease liabilities	**$ 27.2**		
Right of use assets obtained in exchange for operating lease liabilities	**$ 49.0**		
Weighted-average remaining lease term – finance leases	**31.5 years**		
Weighted-average remaining lease term – operating leases	**12.9 years**		
Weighted-average discount rate – finance lease [4]	**6.7%**		
Weighted average discount rate – operating leases [4]	**4.4%**		

(1) For the year ended December 31, 2019, finance lease expense included amortization of right of use assets in the amount of $4.9 million (included in depreciation and amortization expense) and interest on lease liabilities of $3.3 million (included in interest expense). For the years ended December 31, 2018 and 2017, total capital lease expense related to the long-term power purchase agreement was included in cost of sales.

(2) Operating and short-term lease expense were included as a component of operation and maintenance for the years ended December 31, 2019, 2018, and 2017.

(3) Prior to our adoption of Topic 842 on January 1, 2019, all cash flows related to the finance lease were recorded as a component of operating cash flows.

(4) Because our operating leases do not provide an implicit rate of return, we used the fully collateralized incremental borrowing rates based upon information available for similarly rated companies in determining the present value of lease payments for our operating leases. For our power purchase agreement that meets the definition of a finance lease, the rate implicit in the lease was readily determinable. For our solar land leases that are finance leases, we used the fully collateralized incremental borrowing rates based upon information available for similarly rated companies in determining the present value of lease payments.

The following table summarizes our finance lease right of use assets, which were included in property, plant and equipment on our balance sheets at December 31:

(in millions)	**2019**	**2018**
Long-term power purchase commitment		
Under finance/capital lease	**$ 140.3**	$ 140.3
Accumulated amortization	**(126.6)**	(120.9)
Total long-term power purchase commitment	**$ 13.7**	$ 19.4
Two Creeks land leases		
Under finance leases	**$ 7.7**	$ —
Accumulated amortization	**(0.1)**	—
Total Two Creeks land leases	**$ 7.6**	**$ —**
Badger Hollow I land leases		
Under finance leases	**$ 19.5**	$ —
Accumulated amortization	**(0.2)**	—
Total Badger Hollow I land leases	**$ 19.3**	**$ —**
Total finance lease right of use assets/capital lease asset	**$ 40.6**	$ 19.4

Right of use assets related to operating leases were $41.4 million at December 31, 2019, and were included in other long-term assets on our balance sheets.

Future minimum lease payments under our operating leases and our finance leases, and the present value of our net minimum lease payments as of December 31, 2019, were as follows:

(in millions)	**Total Operating Leases**	**Power Purchase Commitment**	**Two Creeks**	**Badger Hollow I**	**Total Finance Leases**
2020	$ 6.8	$ 8.8	$ 0.2	$ 0.3	$ 9.3
2021	4.8	9.4	0.2	0.7	10.3
2022	4.8	4.2	0.2	0.7	5.1
2023	4.9	—	0.2	0.7	0.9
2024	4.8	—	0.2	0.7	0.9
Thereafter	30.1	—	22.8	53.4	76.2
Total minimum lease payments	56.2	22.4	23.8	56.5	102.7
Less: Interest	(14.8)	(4.0)	(16.1)	(36.7)	(56.8)
Present value of minimum lease payments	41.4	18.4	7.7	19.8	45.9
Less: Short-term lease liabilities	(4.4)	(6.3)	—	—	(6.3)
Long-term lease liabilities	$ 37.0	$ 12.1	$ 7.7	$ 19.8	$ 39.6

Short-term and long-term lease liabilities related to operating leases were included in other current liabilities and other long-term liabilities on the balance sheets, respectively.

At December 31, 2018, short-term and long-term liabilities under our capital lease were $4.9 million and $18.4 million, respectively. Short-term and long-term lease liabilities related to our finance/capital leases were included in current portion of long-term debt and long-term debt on the balance sheets, respectively.

NOTE 15—INCOME TAXES

Income Tax Expense

The following table is a summary of income tax expense for the years ended December 31:

(in millions)	2019	2018	2017
Current tax expense (benefit)	$ (37.9)	$ (127.5)	$ 111.8
Deferred income taxes, net	167.7	300.1	274.4
Investment tax credit, net	(4.8)	(2.8)	(2.7)
Total income tax expense	$ 125.0	$ 169.8	$ 383.5

Statutory Rate Reconciliation

The provision for income taxes for each of the years ended December 31 differs from the amount of income tax determined by applying the applicable United States statutory federal income tax rate to income before income taxes as a result of the following:

	2019		2018		2017 [2]	
(in millions)	Amount	Effective Tax Rate	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Statutory federal income tax	$ 264.4	21.0 %	$ 258.1	21.0 %	$ 555.5	35.0 %
State income taxes net of federal tax benefit	80.4	6.4 %	71.8	5.8 %	100.8	6.4 %
Tax repairs [1]	(122.8)	(9.8)%	(120.7)	(9.8)%	—	— %
Federal excess deferred tax amortization	(34.9)	(2.8)%	(16.8)	(1.4)%	—	— %
Wind production tax credits	(34.1)	(2.7)%	(12.1)	(1.0)%	(16.8)	(1.1)%
Excess tax benefits – stock options	(15.8)	(1.3)%	(5.9)	(0.5)%	(10.0)	(0.6)%
Investment tax credit restored	(4.8)	(0.4)%	(2.8)	(0.2)%	(2.7)	(0.2)%
AFUDC – Equity	(3.0)	(0.2)%	(3.2)	(0.3)%	(4.0)	(0.3)%
Federal tax reform	—	— %	—	— %	(226.9)	(14.3)%
Other, net	(4.4)	(0.3)%	1.4	0.2 %	(12.4)	(0.8)%
Total income tax expense	$ 125.0	9.9 %	$ 169.8	13.8 %	$ 383.5	24.1 %

(1) In accordance with a settlement agreement with the PSCW, WE flowed through the tax benefit of its repair related deferred tax liabilities in 2018 and 2019, to maintain certain regulatory asset balances at their December 31, 2017 levels. The flow through treatment of the repair related deferred tax liabilities offsets the negative income statement impact of holding the regulatory assets level, resulting in no change to net income. See Note 25, Regulatory Environment, for more information about the impact of the Tax Legislation and the Wisconsin rate order.

(2) In 2017, the net impact of tax reform in the amount of $206.7 million is represented in both the Federal tax reform and State income taxes net of federal tax benefit lines above.

Deferred Income Tax Assets and Liabilities

On December 22, 2017, the Tax Legislation was signed into law. For businesses, the Tax Legislation reduced the corporate federal tax rate from a maximum of 35% to a 21% rate effective January 1, 2018. In December 2017, we recorded a tax benefit related to the re-measurement of our deferred taxes in the amount of $2,657 million. Accordingly, the tax benefit related to our regulated utilities was recorded as both an increase to regulatory liabilities as well as a decrease to certain existing regulatory assets as of December 31, 2017. The effects of the Tax Legislation primarily at our non-utility energy infrastructure and corporate and other segments resulted in the recording of an income tax benefit of approximately $206.7 million for the year ended December 31, 2017. This tax benefit was primarily due to a re-measurement of deferred tax assets and liabilities.

On December 22, 2017, the SEC staff issued guidance in SAB 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which provided for a measurement period of up to one year from the enactment date to complete accounting under GAAP for the tax effects of the legislation. Due to the complex and comprehensive nature of the enacted tax law changes, and their application under GAAP, certain amounts related to bonus depreciation and future tax benefit utilization recorded in the financial statements as a result of the Tax Legislation were considered "provisional" and subject to revision at December 31, 2017, and through 2018, as discussed in SAB 118.

In 2018, we considered all available guidance from industry and income tax authorities related to these tax items, and revised our Alternative Minimum Tax Credit valuation allowance, and revised our estimates for re-measurement of deferred income taxes related to guidance on bonus depreciation. See Note 25, Regulatory Environment, for more information on the re-measurement of deferred income taxes. At December 31, 2018, we no longer considered any amounts related to bonus depreciation and future tax benefit utilization "provisional," subject to any additional amendments or technical corrections to the Tax Legislation.

In 2019, we considered all available guidance from industry and income tax authorities related to these tax items, and reversed the valuation allowance we had related to Alternative Minimum Tax Credits due to an IRS Announcement issued January 14, 2019. Any further amendments or technical corrections to the Tax Legislation could subject these tax items to revision.

The components of deferred income taxes as of December 31 were as follows:

(in millions)	2019	2018
Deferred tax assets		
Tax gross up – regulatory items	**$ 519.8**	$ 579.2
Deferred revenues	**106.3**	129.3
Future tax benefits	**101.0**	70.6
Other	**159.8**	194.4
Total deferred tax assets	**886.9**	973.5
Valuation allowance	**(2.3)**	(11.4)
Net deferred tax assets	**$ 884.6**	$ 962.1
Deferred tax liabilities		
Property-related	**$ 3,609.0**	$ 3,436.9
Investment in affiliates	**531.7**	420.6
Deferred costs – Plant retirements	**232.0**	176.0
Employee benefits and compensation	**131.4**	121.2
Other	**149.8**	195.5
Total deferred tax liabilities	**4,653.9**	4,350.2
Deferred tax liability, net	**$ 3,769.3**	$ 3,388.1

Consistent with rate-making treatment, deferred taxes related to our regulated utilities in the table above are offset for temporary differences that have related regulatory assets and liabilities.

The components of net deferred tax assets associated with federal and state tax benefit carryforwards as of December 31, 2019 and 2018 are summarized in the tables below:

2019 ***(in millions)***	**Gross Value**	**Deferred Tax Effect**	**Valuation Allowance**	**Earliest Year of Expiration**
Future tax benefits as of December 31, 2019				
Federal tax credit	**$ —**	**$ 75.4**	**$ —**	**2037**
State net operating loss	**287.1**	**17.6**	**(2.3)**	**2023**
Other state benefits	**—**	**8.0**	**—**	**2019**
Balance as of December 31, 2019	**$ 287.1**	**$ 101.0**	**$ (2.3)**	

2018 ***(in millions)***	**Gross Value**	**Deferred Tax Effect**	**Valuation Allowance**	**Earliest Year of Expiration**
Future tax benefits as of December 31, 2018				
Federal foreign tax credit	$ —	$ 9.7	$ (9.7)	2018
Other federal tax credit	—	39.3	(1.7)	2038
State net operating loss	275.9	17.0	—	2023
Other state benefits	—	4.6	—	2018
Balance as of December 31, 2018	$ 275.9	$ 70.6	$ (11.4)	

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions)	2019	2018
Balance as of January 1	**$ 20.0**	$ 17.3
Additions for tax positions of prior years	**1.9**	2.8
Additions based on tax positions related to the current year	**0.2**	0.1
Reductions for tax positions of prior years	**(4.2)**	(0.2)
Balance as of December 31	**$ 17.9**	$ 20.0

The amount of unrecognized tax benefits as of both December 31, 2019 and 2018, excludes deferred tax assets related to uncertainty in income taxes of $2.0 million. As of December 31, 2019 and 2018, the net amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate for continuing operations was $15.9 million and $18.0 million, respectively.

For the years ended December 31, 2019, 2018, and 2017, we recognized $0.1 million of interest expense, $0.5 million of interest expense, and $0.6 million of interest income, respectively, related to unrecognized tax benefits in our income statements. For the years ended December 31, 2019, 2018, and 2017, we recognized no penalties related to unrecognized tax benefits in our income statements. For the year ended December 31, 2019, we had $0.8 million of interest accrued and no penalties accrued related to unrecognized tax benefits on our balance sheets. For the year ended December 31, 2018, we had $0.7 million of interest accrued and no penalties accrued related to unrecognized tax benefits on our balance sheets.

Although analysis of our unrecognized tax benefits is ongoing, the potential estimated decrease in the total amounts of unrecognized tax benefits within the next 12 months is approximately $11.4 million associated with statutes of limitations on certain tax years. We do not anticipate any significant increases in the total amounts of unrecognized tax benefits within the next 12 months.

We file income tax returns in the United States federal jurisdiction and state tax returns based on income in our major state operating jurisdictions of Wisconsin, Illinois, Michigan, and Minnesota. We also file tax returns in other state and local jurisdictions with varying statutes of limitations. As of December 31, 2019, with a few exceptions, we were subject to examination by federal and state or local tax authorities for the 2015 through 2019 tax years in our major operating jurisdictions as follows:

Jurisdiction	**Years**
Federal	2015–2019
Illinois	2015–2019
Michigan	2015–2019
Minnesota	2015–2019
Wisconsin	2015–2019

NOTE 16—FAIR VALUE MEASUREMENTS

The following tables summarize our financial assets and liabilities that were accounted for at fair value on a recurring basis, categorized by level within the fair value hierarchy:

	December 31, 2019			
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets				
Natural gas contracts	$ 1.4	$ 2.0	$ —	$ 3.4
FTRs	—	—	3.1	3.1
Coal contracts	—	0.4	—	0.4
Total derivative assets	**$ 1.4**	**$ 2.4**	**$ 3.1**	**$ 6.9**
Investments held in rabbi trust	$ 85.3	$ —	$ —	$ 85.3
Derivative liabilities				
Natural gas contracts	$ 21.4	$ 1.3	$ —	$ 22.7
Coal contracts	—	0.2	—	0.2
Interest rate swaps	—	6.0	—	6.0
Total derivative liabilities	**$ 21.4**	**$ 7.5**	**$ —**	**$ 28.9**

	December 31, 2018			
(in millions)	Level 1	Level 2	Level 3	Total
Derivative assets				
Natural gas contracts	$ 6.3	$ 1.8	$ —	$ 8.1
FTRs	—	—	7.4	7.4
Coal contracts	—	0.4	—	0.4
Total derivative assets	$ 6.3	$ 2.2	$ 7.4	$ 15.9
Investments held in rabbi trust	$ 65.0	$ —	$ —	$ 65.0
Derivative liabilities				
Natural gas contracts	$ 4.7	$ 0.8	$ —	$ 5.5
Coal contracts	—	0.1	—	0.1
Interest rate swaps	—	2.3	—	2.3
Total derivative liabilities	$ 4.7	$ 3.2	$ —	$ 7.9

The derivative assets and liabilities listed in the tables above include options, swaps, futures, physical commodity contracts, and other instruments used to manage market risks related to changes in commodity prices and interest rates. They also include FTRs, which are used to manage electric transmission congestion costs in the MISO Energy Markets.

We hold investments in the Integrys rabbi trust. These investments are restricted as they can only be withdrawn from the trust to fund participants' benefits under the Integrys deferred compensation plan and certain Integrys non-qualified pension plans. These investments are included in other long-term assets on our balance sheets. For the years ended December 31, 2019 and 2017, the net unrealized gains included in earnings related to the investments held at the end of the period were $18.7 million and $18.8 million, respectively. The net unrealized gains included in earnings for the year ended December 31, 2018 were not significant.

The following table summarizes the changes to derivatives classified as Level 3 in the fair value hierarchy at December 31:

(in millions)	2019	2018	2017
Balance at the beginning of the period	**$ 7.4**	$ 4.4	$ 5.1
Purchases	**12.8**	18.4	13.8
Settlements	**(17.1)**	(15.4)	(14.5)
Balance at the end of the period	**$ 3.1**	$ 7.4	$ 4.4

Fair Value of Financial Instruments

The following table shows the financial instruments included on our balance sheets that are not recorded at fair value at December 31:

	2019		2018	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock of subsidiary	**$ 30.4**	**$ 29.5**	$ 30.4	$ 28.3
Long-term debt, including current portion *	**11,858.3**	**13,035.9**	10,335.7	10,554.9

* The carrying amount of long-term debt excludes finance and capital lease obligations of $45.9 million and $23.3 million at December 31, 2019 and 2018, respectively.

The fair values of our long-term debt and preferred stock are categorized within Level 2 of the fair value hierarchy.

NOTE 17—DERIVATIVE INSTRUMENTS

The following table shows our derivative assets and derivative liabilities, along with their classification on our balance sheets. None of our derivatives are designated as hedging instruments, with the exception of our interest rate swaps, which have been designated as cash flow hedges.

	December 31, 2019		December 31, 2018	
(in millions)	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Other current				
Natural gas contracts	**$ 3.4**	**$ 21.8**	$ 7.7	$ 5.3
FTRs	**3.1**	**—**	7.4	—
Coal contracts	**0.2**	**0.2**	0.2	0.1
Interest rate swaps	**—**	**2.8**	—	0.4
Total other current	**6.7**	**24.8**	15.3	5.8
Other long-term				
Natural gas contracts	**—**	**0.9**	0.4	0.2
Coal contracts	**0.2**	**—**	0.2	—
Interest rate swaps	**—**	**3.2**	—	1.9
Total other long-term	**0.2**	**4.1**	0.6	2.1
Total	**$ 6.9**	**$ 28.9**	$ 15.9	$ 7.9

Realized gains (losses) on derivatives not designated as hedging instruments are primarily recorded in cost of sales on the income statements. Our estimated notional sales volumes and realized gains (losses) were as follows for the years ended:

	December 31, 2019		December 31, 2018		December 31, 2017	
(in millions)	Volumes	Gains (Losses)	Volumes	Gains	Volumes	Gains (Losses)
Natural gas contracts	**183.9 Dth**	**$ (27.1)**	173.2 Dth	$ 24.6	123.1 Dth	$ (8.0)
Petroleum products contracts	**— gallons**	**—**	6.0 gallons	1.6	18.0 gallons	(1.3)
FTRs	**31.2 MWh**	**16.3**	30.5 MWh	15.9	36.2 MWh	14.0
Total		**$ (10.8)**		$ 42.1		$ 4.7

At December 31, 2019 and 2018, we had posted cash collateral of $34.4 million and $2.7 million, respectively, in our margin accounts. At December 31, 2018, we had also received cash collateral of $0.2 million in our margin accounts. We had not received any cash collateral at December 31, 2019.

The following table shows derivative assets and derivative liabilities if derivative instruments by counterparty were presented net on our balance sheets:

	December 31, 2019		December 31, 2018	
(in millions)	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Gross amount recognized on the balance sheet	**$ 6.9**	**$ 28.9**	$ 15.9	$ 7.9
Gross amount not offset on the balance sheet	**(1.4)**	**(21.4)** (1)	(4.0) (2)	(4.9) (3)
Net amount	**$ 5.5**	**$ 7.5**	$ 11.9	$ 3.0

(1) Includes cash collateral posted of $20.0 million.

(2) Includes cash collateral received of $0.2 million.

(3) Includes cash collateral posted of $1.1 million.

Cash Flow Hedges

Effective January 1, 2019, we adopted ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities. The amendments in this update expand the strategies that qualify for hedge accounting, amend the presentation and disclosure requirements related to hedging activities, and provide overall targeted improvements to simplify hedge accounting in certain situations. The adoption of this standard did not have a significant impact on our financial statements.

As of December 31, 2019, we had two interest rate swaps with a combined notional value of $250.0 million to hedge the variable interest rate risk associated with our 2007 Junior Notes. The swaps provide a fixed interest rate of 4.9765% on $250.0 million of the $500.0 million of outstanding 2007 Junior Notes through November 15, 2021. As these swaps qualified for cash flow hedge accounting treatment, the related gains and losses are being deferred in accumulated other comprehensive loss and are being amortized to interest expense as interest is accrued on the 2007 Junior Notes.

We previously entered into forward interest rate swap agreements to mitigate the interest rate exposure associated with the issuance of long-term debt related to the acquisition of Integrys. These swap agreements were settled in 2015, and we continue to amortize amounts out of accumulated other comprehensive loss into interest expense over the periods in which the interest costs are recognized in earnings.

The table below shows the amounts related to these cash flow hedges recorded in other comprehensive loss and in earnings, along with our total interest expense on the income statements, for the years ended December 31:

(in millions)	**2019**	2018	2017
Derivative losses recognized in other comprehensive loss	**$ (4.8)**	$ (2.9)	$ —
Net derivative gains reclassified from accumulated other comprehensive loss to interest expense	**1.1**	1.6	2.2
Total interest expense line item on the income statements	**501.5**	445.1	415.7

We estimate that during the next twelve months, $1.0 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense.

NOTE 18—GUARANTEES

The following table shows our outstanding guarantees:

		Expiration		
(in millions)	**Total Amounts Committed at December 31, 2019**	**Less Than 1 Year**	**1 to 3 Years**	**Over 3 Years**
Guarantees				
Guarantees supporting transactions of subsidiaries (1)	**$ 31.4**	$ 10.2	$ 0.2	$ 21.0
Standby letters of credit (2)	**103.0**	1.2	0.2	101.6
Surety bonds (3)	**9.9**	9.9	—	—
Other guarantees (4)	**11.7**	0.9	—	10.8
Total guarantees	**$ 156.0**	$ 22.2	$ 0.4	$ 133.4

(1) Consists of $4.0 million, $6.2 million, and $21.2 million to support the business operations of UMERC, Bluewater, and WECI, respectively.

(2) At our request or the request of our subsidiaries, financial institutions have issued standby letters of credit for the benefit of third parties that have extended credit to our subsidiaries. These amounts are not reflected on our balance sheets.

(3) Primarily for workers compensation self-insurance programs and obtaining various licenses, permits, and rights-of-way. These amounts are not reflected on our balance sheets.

(4) Consists of $11.7 million related to other indemnifications, for which a liability of $10.8 million related to workers compensation coverage was recorded on our balance sheets.

NOTE 19—EMPLOYEE BENEFITS

Pension and Other Postretirement Employee Benefits

We and our subsidiaries have defined benefit pension plans that cover substantially all of our employees, as well as several unfunded non-qualified retirement plans. In addition, we and our subsidiaries offer multiple OPEB plans to employees. The benefits for a portion of these plans are funded through irrevocable trusts, as allowed for income tax purposes. We also offer medical, dental, and life insurance benefits to active employees and their dependents. We expense the costs of these benefits as incurred.

Generally, former Wisconsin Energy Corporation employees who started with the company after 1995 receive a benefit based on a percentage of their annual salary plus an interest credit, while employees who started before 1996 receive a benefit based upon years of service and final average salary. New Wisconsin Energy Corporation management employees hired after December 31, 2014, and certain new represented employees hired after May 1, 2017, receive an annual company contribution to their 401(k) savings plan instead of being enrolled in the defined benefit plans.

For former Integrys employees, the defined benefit pension plans are closed to all new hires. In addition, the service accruals for the defined benefit pension plans were frozen for non-union employees as of January 1, 2013. These employees receive an annual company contribution to their 401(k) savings plan, which is calculated based on age, wages, and full years of vesting service as of December 31 each year.

We use a year-end measurement date to measure the funded status of all of our pension and OPEB plans. Due to the regulated nature of our business, we have concluded that substantially all of the unrecognized costs resulting from the recognition of the funded status of our pension and OPEB plans qualify as a regulatory asset.

The following tables provide a reconciliation of the changes in our plans' benefit obligations and fair value of assets:

	Pension Benefits		OPEB Benefits	
(in millions)	**2019**	**2018**	**2019**	**2018**
Change in benefit obligation				
Obligation at January 1	**$ 2,927.2**	$ 3,163.7	**$ 608.2**	$ 818.5
Service cost	**47.0**	47.1	**16.3**	23.7
Interest cost	**120.4**	114.3	**25.7**	29.9
Participant contributions	**—**	—	**12.3**	15.5
Plan amendments	**—**	—	**(4.0)**	(3.5)
Actuarial loss (gain)	**269.3**	(171.8)	**(60.7)**	(222.6)
Benefit payments	**(240.2)**	(226.1)	**(42.3)**	(55.4)
Federal subsidy on benefits paid	**N/A**	N/A	**1.3**	1.0
Transfer	**—**	—	**1.8**	1.1
Obligation at December 31	**$ 3,123.7**	$ 2,927.2	**$ 558.6**	$ 608.2
Change in fair value of plan assets				
Fair value at January 1	**$ 2,690.8**	$ 2,966.8	**$ 771.7**	$ 841.5
Actual return on plan assets	**494.1**	(122.2)	**134.3**	(35.2)
Employer contributions	**62.3**	72.3	**3.6**	5.3
Participant contributions	**—**	—	**12.3**	15.5
Benefit payments	**(240.2)**	(226.1)	**(42.3)**	(55.4)
Fair value at December 31	**$ 3,007.0**	$ 2,690.8	**$ 879.6**	$ 771.7
Funded status at December 31	**$ (116.7)**	$ (236.4)	**$ 321.0**	$ 163.5

The amounts recognized on our balance sheets at December 31 related to the funded status of the benefit plans were as follows:

	Pension Benefits		OPEB Benefits	
(in millions)	**2019**	**2018**	**2019**	**2018**
Other long-term assets	**$ 188.8**	$ 139.1	**$ 341.7**	$ 210.8
Pension and OPEB obligations	**305.5**	375.5	**20.7**	47.3
Total net (liabilities) assets	**$ (116.7)**	$ (236.4)	**$ 321.0**	$ 163.5

The accumulated benefit obligation for all defined benefit pension plans was $2,992.9 million and $2,804.9 million as of December 31, 2019 and 2018, respectively.

The following table shows information for pension plans with an accumulated benefit obligation in excess of plan assets. Amounts presented are as of December 31:

(in millions)	**2019**	**2018**
Projected benefit obligation	**$ 1,810.1**	$ 1,930.8
Accumulated benefit obligation	**1,754.2**	1,882.2
Fair value of plan assets	**1,504.6**	1,572.7

The following table shows the amounts that have not yet been recognized in our net periodic benefit cost as of December 31:

	Pension Benefits		OPEB Benefits	
(in millions)	2019	2018	2019	2018
Pre-tax accumulated other comprehensive loss [1]				
Net actuarial loss (gain)	**$ 10.6**	$ 14.5	**$ (1.6)**	$ (1.6)
Prior service credits	**—**	—	**(0.1)**	(0.1)
Total	**$ 10.6**	$ 14.5	**$ (1.7)**	$ (1.7)
Net regulatory assets (liabilities) [2]				
Net actuarial loss (gain)	**$ 1,067.7**	$ 1,184.1	**$ (266.6)**	$ (133.0)
Prior service costs (credits)	**2.7**	4.9	**(88.6)**	(100.0)
Total	**$ 1,070.4**	$ 1,189.0	**$ (355.2)**	$ (233.0)

(1) Amounts related to the nonregulated entities are included in accumulated other comprehensive loss.

(2) Amounts related to the utilities and WBS are recorded as net regulatory assets or liabilities.

The following table shows the estimated amounts that will be amortized into net periodic benefit cost during 2020:

(in millions)	Pension Benefits	OPEB Benefits
Net actuarial loss (gain)	$ 97.1	$ (21.5)
Prior service costs (credits)	1.6	(15.0)
Total 2020 – estimated amortization	$ 98.7	$ (36.5)

The components of net periodic benefit cost (credit) (including amounts capitalized to our balance sheets) for the years ended December 31 were as follows:

	Pension Benefits			OPEB Benefits		
(in millions)	2019	2018	2017	2019	2018	2017
Service cost	**$ 47.0**	$ 47.1	$ 44.6	**$ 16.3**	$ 23.7	$ 24.1
Interest cost	**120.4**	114.3	121.8	**25.7**	29.9	32.9
Expected return on plan assets	**(193.3)**	(196.5)	(195.7)	**(54.7)**	(59.5)	(55.5)
Plan settlement	**11.5**	1.0	9.0	**—**	—	—
Amortization of prior service cost (credit)	**2.2**	2.7	2.9	**(15.4)**	(15.4)	(12.3)
Amortization of net actuarial loss	**77.3**	94.0	86.1	**(6.6)**	1.0	3.1
Net periodic benefit cost (credit)	**$ 65.1**	$ 62.6	$ 68.7	**$ (34.7)**	$ (20.3)	$ (7.7)

The weighted-average assumptions used to determine the benefit obligations for the plans were as follows for the years ended December 31:

	Pension Benefits		OPEB Benefits	
	2019	2018	2019	2018
Discount rate	**3.41%**	4.30%	**3.39%**	4.27%
Rate of compensation increase	**4.00%**	3.66%	**N/A**	N/A
Assumed medical cost trend rate (Pre 65)	**N/A**	N/A	**6.00%**	6.25%
Ultimate trend rate (Pre 65)	**N/A**	N/A	**5.00%**	5.00%
Year ultimate trend rate is reached (Pre 65)	**N/A**	N/A	**2028**	2024
Assumed medical cost trend rate (Post 65)	**N/A**	N/A	**5.91%**	6.01%
Ultimate trend rate (Post 65)	**N/A**	N/A	**5.00%**	5.00%
Year ultimate trend rate is reached (Post 65)	**N/A**	N/A	**2028**	2028

The weighted-average assumptions used to determine the net periodic benefit cost for the plans were as follows for the years ended December 31:

	Pension Benefits		
	2019	2018	2017
Discount rate	**4.21%**	3.71%	4.11%
Expected return on plan assets	**7.12%**	7.12%	7.11%
Rate of compensation increase	**3.66%**	3.66%	3.60%

	OPEB Benefits		
	2019	**2018**	**2017**
Discount rate	**4.27%**	3.63%	4.04%
Expected return on plan assets	**7.25%**	7.25%	7.25%
Assumed medical cost trend rate (Pre 65)	**6.25%**	6.50%	7.00%
Ultimate trend rate (Pre 65)	**5.00%**	5.00%	5.00%
Year ultimate trend rate is reached (Pre 65)	**2024**	2024	2021
Assumed medical cost trend rate (Post 65)	**6.01%**	6.09%	7.00%
Ultimate trend rate (Post 65)	**5.00%**	5.00%	5.00%
Year ultimate trend rate is reached (Post 65)	**2028**	2028	2021

We consult with our investment advisors on an annual basis to help us forecast expected long-term returns on plan assets by reviewing historical returns as well as calculating expected total trust returns using the weighted-average of long-term market returns for each of the major target asset categories utilized in the fund. For 2020, the expected return on assets assumption is 6.87% for the pension plans and 7.00% for the OPEB plans.

Assumed health care cost trend rates have a significant effect on the amounts reported by us for health care plans. For the year ended December 31, 2019, a one-percentage-point change in assumed health care cost trend rates would have had the following effects:

(in millions)	**1% Increase**	**1% Decrease**
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	$ 4.7	$ (3.8)
Effect on health care component of the accumulated postretirement benefit obligations	43.5	(36.5)

Plan Assets

Current pension trust assets and amounts which are expected to be contributed to the trusts in the future are expected to be adequate to meet pension payment obligations to current and future retirees.

The Investment Trust Policy Committee oversees investment matters related to all of our funded benefit plans. The Committee works with external actuaries and investment consultants on an on-going basis to establish and monitor investment strategies and target asset allocations. Forecasted cash flows for plan liabilities are regularly updated based on annual valuation results. Target allocations are determined utilizing projected benefit payment cash flows and risk analyses of appropriate investments. They are intended to reduce risk, provide long-term financial stability for the plans and maintain funded levels which meet long-term plan obligations while preserving sufficient liquidity for near-term benefit payments.

The legacy Wisconsin Energy Corporation pension trust target asset allocations are 35% equity investments, 55% fixed income investments, and 10% private equity and real estate investments. The legacy Integrys pension trust target asset allocation is 45% equity investments, 45% fixed income investments, and 10% private equity and real estate investments. The two legacy Wisconsin Energy Corporation OPEB trusts' target asset allocations are 50% equity investments and 50% fixed income investments, and 70% equity investments and 30% fixed income investments, respectively. The two largest legacy OPEB trusts for Integrys have the same target asset allocations of 45% equity investments and 55% fixed income. Equity securities include investments in large-cap, mid-cap, and small-cap companies. Fixed income securities include corporate bonds of companies from diversified industries, mortgage and other asset backed securities, commercial paper, and United States Treasuries.

Pension and OPEB plan investments are recorded at fair value. See Note 1(p), Fair Value Measurements, for more information regarding the fair value hierarchy and the classification of fair value measurements based on the types of inputs used.

The following tables provide the fair values of our investments by asset class:

	December 31, 2019							
	Pension Plan Assets				OPEB Assets			
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset Class								
Equity securities:								
United States equity	**$ 335.6**	**$ —**	**$ —**	**$ 335.6**	**$ 103.0**	**$ —**	**$ —**	**$ 103.0**
International equity	**321.6**	**0.7**	**—**	**322.3**	**107.3**	**0.2**	**—**	**107.5**
Fixed income securities: *								
United States bonds	**94.3**	**887.4**	**—**	**981.7**	**119.1**	**165.9**	**—**	**285.0**
International bonds	**51.5**	**87.0**	**—**	**138.5**	**24.6**	**8.5**	**—**	**33.1**
	$ 803.0	**$ 975.1**	**$ —**	**$ 1,778.1**	**$ 354.0**	**$ 174.6**	**$ —**	**$ 528.6**
Investments measured at net asset value				**$ 1,228.9**				**$ 351.0**
Total	**$ 803.0**	**$ 975.1**	**$ —**	**$ 3,007.0**	**$ 354.0**	**$ 174.6**	**$ —**	**$ 879.6**

* This category represents investment grade bonds of United States and foreign issuers denominated in United States dollars from diverse industries.

	December 31, 2018							
	Pension Plan Assets				OPEB Assets			
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset Class								
Equity securities:								
United States equity	$ 281.7	$ —	$ —	$ 281.7	$ 88.2	$ —	$ —	$ 88.2
International equity	279.7	0.7	—	280.4	92.2	0.2	—	92.4
Fixed income securities: *								
United States bonds	123.7	838.8	—	962.5	119.6	150.8	—	270.4
International bonds	16.1	85.5	—	101.6	7.1	8.9	—	16.0
	$ 701.2	$ 925.0	$ —	$ 1,626.2	$ 307.1	$ 159.9	$ —	$ 467.0
Investments measured at net asset value				$ 1,064.6				$ 304.7
Total	$ 701.2	$ 925.0	$ —	$ 2,690.8	$ 307.1	$ 159.9	$ —	$ 771.7

* This category represents investment grade bonds of United States and foreign issuers denominated in United States dollars from diverse industries.

The following table sets forth a reconciliation of changes in the fair value of pension and OPEB plan assets categorized as Level 3 in the fair value hierarchy:

	Private Equity and Real Estate		International Equity	
(in millions)	**Pension**	**OPEB**	**Pension**	**OPEB**
Beginning balance at January 1, 2018	$ 100.1	$ 7.7	$ 0.8	$ 0.2
Realized and unrealized gains (losses)	8.0	1.1	(0.1)	—
Purchases	18.3	1.5	—	—
Liquidations	(1.7)	(0.2)	—	—
Transfers out of level 3	(124.7)	(10.1)	(0.7)	(0.2)
Ending balance at December 31, 2018	$ —	$ —	$ —	$ —

Cash Flows

We expect to contribute $11.6 million to the pension plans and $0.9 million to the OPEB plans in 2020, dependent upon various factors affecting us, including our liquidity position and the effects of the Tax Legislation.

The following table shows the payments, reflecting expected future service, that we expect to make for pension and OPEB over the next 10 years:

(in millions)	Pension Benefits	OPEB Benefits
2020	$ 236.9	$ 37.1
2021	236.7	34.7
2022	228.4	35.6
2023	226.8	36.1
2024	218.8	36.1
2025-2029	1,004.2	179.5

Savings Plans

We sponsor 401(k) savings plans which allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan-specified guidelines. A percentage of employee contributions are matched by us through a contribution into the employee's savings plan account, up to certain limits. The 401(k) savings plans include an Employee Stock Ownership Plan. Certain employees receive an employer retirement contribution, in which amounts are contributed to the employee's savings plan account based on the employee's wages, age, and years of service. Total costs incurred under all of these plans were $50.9 million, $49.3 million, and $47.9 million in 2019, 2018, and 2017, respectively.

NOTE 20—INVESTMENT IN TRANSMISSION AFFILIATES

We own approximately 60% of ATC, a for-profit, transmission-only company regulated by the FERC for cost of service and certain state regulatory commissions for routing and siting of transmission projects. We also own approximately 75% of ATC Holdco, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC's traditional footprint. The corporate managers for ATC and ATC Holdco each have a ten-member board of directors. We have one representative on each board. Each member of the board has only one vote. Due to voting requirements, each individual board member has 10% of the voting control. The following tables provide a reconciliation of the changes in our investments in ATC and ATC Holdco:

	2019		
(in millions)	ATC	ATC Holdco	Total
Balance at January 1	**$ 1,625.3**	**$ 40.0**	**$ 1,665.3**
Add: Earnings (loss) from equity method investment *	**132.8**	**(5.2)**	**127.6**
Add: Capital contributions	**51.3**	**1.3**	**52.6**
Less: Distributions	**124.7**	**—**	**124.7**
Balance at December 31	**$ 1,684.7**	**$ 36.1**	**$ 1,720.8**

* In November 2019, the FERC issued an order that addressed the complaints related to ATC's allowed ROE. Due to the numerous rehearing requests filed related to this order, our financials continue to include a $41.9 million liability for potential future refunds that ATC may be required to provide, resulting in reduced equity earnings from ATC. This liability reflects a 10.38% ROE for all periods covered by the complaints.

	2018		
(in millions)	ATC	ATC Holdco	Total
Balance at January 1	$ 1,515.8	$ 37.6	$ 1,553.4
Add: Earnings (loss) from equity method investment	139.6	(2.9)	136.7
Add: Capital contributions	48.2	5.3	53.5
Less: Distributions	78.2	—	78.2
Less: Other	0.1	—	0.1
Balance at December 31	$ 1,625.3	$ 40.0	$ 1,665.3

	2017		
(in millions)	ATC	ATC Holdco	Total
Balance at January 1	$ 1,443.9 (1)	$ —	$ 1,443.9
Add: Earnings (loss) from equity method investment	166.0	(11.7)	154.3
Add: Capital contributions	60.3	49.3	109.6
Less: Distributions	154.2 (2)	—	154.2
Less: Other	0.2	—	0.2
Balance at December 31	$ 1,515.8	$ 37.6	$ 1,553.4

(1) Distributions of $35.2 million, received in the first quarter of 2017, were approved and recorded as a receivable from ATC in other current assets at December 31, 2016.

(2) Of this amount, $39.9 million was recorded as a receivable from ATC in other current assets at December 31, 2017.

We pay ATC for network transmission and other related services it provides. In addition, we provide a variety of operational, maintenance, and project management work for ATC, which is reimbursed by ATC. We are required to pay the cost of needed transmission infrastructure upgrades for new generation projects while the projects are under construction. ATC reimburses us for these costs when the new generation is placed in service.

The following table summarizes our significant related party transactions with ATC during the years ended December 31:

(in millions)	**2019**	2018	2017
Charges to ATC for services and construction	**$ 25.9**	$ 21.8	$ 17.1
Charges from ATC for network transmission services	**348.1**	338.1	349.3
Refund from ATC related to a FERC audit	**—**	22.0	—
Refund from ATC per FERC ROE order	**—**	—	28.3

As of December 31, 2019 and 2018, our balance sheets included the following receivables and payables for services received from or provided to ATC:

(in millions)	**2019**	2018
Accounts receivable for services provided to ATC	**$ 3.5**	$ 3.4
Accounts payable for services received from ATC	**29.0**	28.2
Amounts due from ATC for transmission infrastructure upgrades	**2.8** (1)	29.4 (2)

(1) In connection with WPS's construction of its two new solar projects, Badger Hollow I and Two Creeks, WPS was required to initially fund the construction of the transmission infrastructure upgrades needed for the new generation. ATC owns these transmission assets and will reimburse WPS for these costs after the new generation has been placed in service.

(2) In connection with UMERC's construction of the new natural gas-fired generation in the Upper Peninsula of Michigan, UMERC was required to initially fund the construction of the transmission infrastructure upgrades owned by ATC that were needed for the new generation. In the second quarter of 2019, ATC fully reimbursed UMERC for these costs.

Summarized financial data for ATC is included in the tables below:

	Year Ended December 31		
(in millions)	**2019**	2018	2017
Income statement data			
Operating revenues	**$ 744.4**	$ 690.5	$ 721.7
Operating expenses	**373.5**	358.7	345.0
Other expense, net	**110.5**	108.3	104.1
Net income	**$ 260.4**	$ 223.5	$ 272.6

(in millions)	**December 31, 2019**	December 31, 2018
Balance sheet data		
Current assets	**$ 84.7**	$ 87.2
Noncurrent assets	**5,244.2**	4,928.8
Total assets	**$ 5,328.9**	$ 5,016.0
Current liabilities	**$ 502.6**	$ 640.0
Long-term debt	**2,312.8**	2,014.0
Other noncurrent liabilities	**298.9**	295.3
Shareholders' equity	**2,214.6**	2,066.7
Total liabilities and shareholders' equity	**$ 5,328.9**	$ 5,016.0

NOTE 21—SEGMENT INFORMATION

We use operating income to measure segment profitability and to allocate resources to our businesses. At December 31, 2019, we reported six segments, which are described below.

- The Wisconsin segment includes the electric and natural gas utility operations of WE, WPS, WG, and UMERC.
- The Illinois segment includes the natural gas utility and non-utility operations of PGL and NSG.
- The other states segment includes the natural gas utility and non-utility operations of MERC and MGU.
- The electric transmission segment includes our approximate 60% ownership interest in ATC, a for-profit, transmission-only company regulated by the FERC for cost of service and certain state regulatory commissions for routing and siting of transmission projects, and our approximate 75% ownership interest in ATC Holdco, which was formed to invest in transmission-related projects outside of ATC's traditional footprint.
- The non-utility energy infrastructure segment includes:
  - We Power, which owns and leases generating facilities to WE,
  - Bluewater, which owns underground natural gas storage facilities in Michigan that provide approximately one-third of the current storage needs for our Wisconsin natural gas utilities, and
  - WECI, which holds our ownership interests in the following wind generating facilities:
    - 90% ownership interest in Bishop Hill III, located in Henry County, Illinois,
    - 80% ownership interest in Coyote Ridge, located in Brookings County, South Dakota, and
    - 80% ownership interest in Upstream, located in Antelope County, Nebraska.

  See Note 2, Acquisitions, for more information on Bluewater, Bishop Hill III, Coyote Ridge, and Upstream.
- The corporate and other segment includes the operations of the WEC Energy Group holding company, the Integrys holding company, the PELLC holding company, Wispark, Bostco, Wisvest, WECC, WBS, and PDL. In the first quarter of 2017, we sold substantially all of the remaining assets of Bostco, and, in October 2018, Bostco was dissolved. In 2019, we sold certain PDL solar power generating facilities. See Note 3, Dispositions, for more information on these sales.

All of our operations and assets are located within the United States. The following tables show summarized financial information related to our reportable segments for the years ended December 31, 2019, 2018, and 2017.

	Utility Operations								
2019 *(in millions)*	**Wisconsin**	**Illinois**	**Other States**	**Total Utility Operations**	**Electric Transmission**	**Non-Utility Energy Infrastructure**	**Corporate and Other**	**Reconciling Eliminations**	**WEC Energy Group Consolidated**
External revenues	$ 5,647.1	$1,357.1	$ 426.0	$ 7,430.2	$ —	$ 88.5	$ 4.4	$ —	$ 7,523.1
Intersegment revenues	—	—	—	—	—	407.4	—	(407.4)	—
Other operation and maintenance	1,591.3	461.1	98.5	2,150.9	—	19.7	14.0	0.2	2,184.8
Depreciation and amortization	617.0	181.3	27.5	825.8	—	92.0	24.3	(15.8)	926.3
Operating income (loss)	1,189.6	291.9	65.3	1,546.8	—	366.6	(34.4)	(347.6)	1,531.4
Equity in earnings of transmission affiliates	—	—	—	—	127.6	—	—	—	127.6
Interest expense	572.0	59.0	8.5	639.5	13.1	62.1	140.9	(354.1)	501.5
Capital expenditures and asset acquisitions	1,378.6	624.9	109.1	2,112.6	—	389.9	26.5	—	2,529.0
Total assets *	23,934.8	6,932.5	1,237.8	32,105.1	1,723.1	3,654.1	814.0	(3,344.5)	34,951.8

* Total assets at December 31, 2019 reflect an elimination of $1,896.7 million for all lease activity between We Power and WE.

	Utility Operations								
2018 *(in millions)*	**Wisconsin**	**Illinois**	**Other States**	**Total Utility Operations**	**Electric Transmission**	**Non-Utility Energy Infrastructure**	**Corporate and Other**	**Reconciling Eliminations**	**WEC Energy Group Consolidated**
External revenues	$ 5,794.7	$1,400.0	$ 438.2	$ 7,632.9	$ —	$ 37.9	$ 8.7	$ —	$ 7,679.5
Intersegment revenues	—	—	—	—	—	430.5	—	(430.5)	—
Other operation and maintenance	2,076.1	472.3	101.0	2,649.4	—	12.6	1.8	(393.3)	2,270.5
Depreciation and amortization	546.6	170.3	24.1	741.0	—	75.7	29.1	—	845.8
Operating income (loss)	800.2	255.8	68.8	1,124.8	—	365.8	(22.2)	—	1,468.4
Equity in earnings of transmission affiliates	—	—	—	—	136.7	—	—	—	136.7
Interest expense	200.7	51.2	8.7	260.6	0.3	63.7	125.8	(5.3)	445.1
Capital expenditures and asset acquisitions	1,466.1	547.1	103.6	2,116.8	—	260.6	39.7	—	2,417.1
Total assets *	23,407.0	6,483.3	1,147.9	31,038.2	1,665.3	3,227.2	959.6	(3,414.5)	33,475.8

* Total assets at December 31, 2018 reflect an elimination of $1,968.5 million for all lease activity between We Power and WE.

	Utility Operations								
2017 *(in millions)*	**Wisconsin**	**Illinois**	**Other States**	**Total Utility Operations**	**Electric Transmission**	**Non-Utility Energy Infrastructure**	**Corporate and Other**	**Reconciling Eliminations**	**WEC Energy Group Consolidated**
External revenues	$ 5,829.2	$1,355.5	$ 411.2	$ 7,595.9	$ —	$ 38.9	$ 13.7	$ —	$ 7,648.5
Intersegment revenues	—	—	—	—	—	446.3	—	(446.3)	—
Other operation and maintenance	1,923.2	464.2	101.1	2,488.5	—	7.3	1.4	(441.1)	2,056.1
Depreciation and amortization	523.9	152.6	24.8	701.3	—	71.4	25.9	—	798.6
Operating income (loss)	1,055.2	279.9	54.4	1,389.5	—	400.5	(13.9)	—	1,776.1
Equity in earnings of transmission affiliates	—	—	—	—	154.3	—	—	—	154.3
Interest expense	193.7	45.0	8.7	247.4	—	62.8	107.3	(1.8)	415.7
Capital expenditures	1,152.3	545.2	74.5	1,772.0	—	35.4	152.1	—	1,959.5
Total assets *	22,237.1	6,144.7	1,067.8	29,449.6	1,593.4	2,992.8	953.6	(3,398.9)	31,590.5

* Total assets at December 31, 2017 reflect an elimination of $2,038.1 million for all lease activity between We Power and WE.

NOTE 22—VARIABLE INTEREST ENTITIES

The primary beneficiary of a variable interest entity must consolidate the entity's assets and liabilities. In addition, certain disclosures are required for significant interest holders in variable interest entities.

We assess our relationships with potential variable interest entities, such as our coal suppliers, natural gas suppliers, coal transporters, natural gas transporters, and other counterparties related to power purchase agreements, investments, and joint ventures. In making this assessment, we consider, along with other factors, the potential that our contracts or other arrangements provide subordinated financial support, the obligation to absorb the entity's losses, the right to receive residual returns of the entity, and the power to direct the activities that most significantly impact the entity's economic performance.

Investment in Transmission Affiliates

We own approximately 60% of ATC, a for-profit, electric transmission company regulated by the FERC and certain state regulatory commissions. We have determined that ATC is a variable interest entity, but consolidation is not required since we are not ATC's primary beneficiary. As a result of our limited voting rights, we do not have the power to direct the activities that most significantly impact ATC's economic performance. Therefore, we account for ATC as an equity method investment. At December 31, 2019 and 2018, our equity investment in ATC was $1,684.7 million and $1,625.3 million, respectively, which approximates our maximum exposure to loss as a result of our involvement with ATC.

We also own approximately 75% of ATC Holdco, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC's traditional footprint. We have determined that ATC Holdco is a variable interest entity, but consolidation is not required since we are not ATC Holdco's primary beneficiary. As a result of our limited voting rights, we do not have the power to direct the activities that most significantly impact ATC Holdco's economic performance. Therefore, we account for ATC Holdco as an equity method investment. At December 31, 2019 and 2018, our equity investment in ATC Holdco was $36.1 million and $40.0 million, respectively, which approximates our maximum exposure to loss as a result of our involvement with ATC Holdco.

See Note 20, Investment in Transmission Affiliates, for more information, including any significant assets and liabilities related to ATC and ATC Holdco recorded on our balance sheets.

Power Purchase Agreement

We have a power purchase agreement that represents a variable interest. This agreement is for 236 MWs of firm capacity from a natural gas-fired cogeneration facility, and we account for it as a finance lease. The agreement includes no minimum energy requirements over the remaining term of approximately two years. We have examined the risks of the entity, including operations, maintenance, dispatch, financing, fuel costs, and other factors, and have determined that we are not the primary beneficiary of the entity. We do not hold an equity or debt interest in the entity, and there is no residual guarantee associated with the power purchase agreement.

We have $22.4 million of required capacity payments over the remaining term of this agreement. We believe that the required capacity payments under this contract will continue to be recoverable in rates, and our maximum exposure to loss is limited to these capacity payments.

NOTE 23—COMMITMENTS AND CONTINGENCIES

We and our subsidiaries have significant commitments and contingencies arising from our operations, including those related to unconditional purchase obligations, environmental matters, and enforcement and litigation matters.

Unconditional Purchase Obligations

Our electric utilities have obligations to distribute and sell electricity to their customers, and our natural gas utilities have obligations to distribute and sell natural gas to their customers. The utilities expect to recover costs related to these obligations in future customer rates. In order to meet these obligations, we routinely enter into long-term purchase and sale commitments for various quantities and lengths of time.

Our non-utility energy infrastructure generation facilities have obligations to distribute and sell electricity through long-term offtake agreements with their customers for all of the energy produced. These projects also enter into related easements and other agreements associated with the generating facilities.

The following table shows our minimum future commitments related to these purchase obligations as of December 31, 2019, including those of our subsidiaries.

(in millions)	Date Contracts Extend Through	Total Amounts Committed	Payments Due By Period 2020	2021	2022	2023	2024	Later Years
Electric utility:								
Nuclear	2033	$ 8,319.0	$ 475.1	$ 501.1	$ 531.2	$ 563.0	$ 596.8	$ 5,651.8
Coal supply and transportation	2024	983.2	306.9	255.7	223.4	196.5	0.7	—
Purchased power	2051	428.3	88.9	58.5	51.5	46.5	43.4	139.5
Natural gas utility:								
Supply and transportation	2048	1,652.3	344.8	285.5	224.6	131.2	70.8	595.4
Non-utility energy infrastructure:								
Purchased power	2061	173.6	7.7	8.8	8.6	8.8	8.9	130.8
Natural gas storage and transportation	2048	13.6	7.7	2.7	1.3	0.8	0.1	1.0
Total		$ 11,570.0	$ 1,231.1	$ 1,112.3	$ 1,040.6	$ 946.8	$ 720.7	$ 6,518.5

Environmental Matters

Consistent with other companies in the energy industry, we face significant ongoing environmental compliance and remediation obligations related to current and past operations. Specific environmental issues affecting us include, but are not limited to, current and future regulation of air emissions such as SO_2, NOx, fine particulates, mercury, and GHGs; water intake and discharges; management of coal combustion products such as fly ash; and remediation of impacted properties, including former manufactured gas plant sites.

We have continued to pursue a proactive strategy to manage our environmental compliance obligations, including:

- the development of additional sources of renewable electric energy supply;
- the addition of improvements for water quality matters such as treatment technologies to meet regulatory discharge limits and improvements to our cooling water intake systems;
- the addition of emission control equipment to existing facilities to comply with ambient air quality standards and federal clean air rules;
- the protection of wetlands and waterways, threatened and endangered species, and cultural resources associated with utility construction projects;
- the retirement of older coal-fired power plants and conversion to modern, efficient, natural gas generation, super-critical pulverized coal generation, and/or replacement with renewable generation;
- the beneficial use of ash and other products from coal-fired and biomass generating units; and
- the remediation of former manufactured gas plant sites.

Air Quality

National Ambient Air Quality Standards – After completing its review of the 2008 ozone standard, the EPA released a final rule in October 2015, which lowered the limit for ground-level ozone, creating a more stringent standard than the 2008 NAAQS. The EPA issued final nonattainment area designations in April 2018. The following counties within our service territories were designated as partial nonattainment: Door, Kenosha, Manitowoc, Northern Milwaukee/Ozaukee, and Sheboygan shorelines. This re-designation was challenged in the D.C. Circuit Court of Appeals in *Clean Wisconsin et al. v. U.S. Environmental Protection Agency.* Petitioners in that case have argued that additional portions of Milwaukee, Waukesha, Ozaukee, and Washington Counties (among others) should be designated as nonattainment for ozone. In November 2019, the D.C. Circuit Court of Appeals heard oral arguments for that case. A decision is expected in spring 2020, and we expect that any subsequent EPA re-designation, if necessary, would take place in mid-2021. We believe we are well positioned to meet the requirements associated with the ozone standard and do not expect to incur significant costs to comply. The State of Wisconsin is currently working with stakeholders, including us, in developing regulations for inclusion in the state implementation plan required by the rule.

Mercury and Air Toxics Standards – In December 2018, the EPA proposed to revise the Supplemental Cost Finding for the MATS rule as well as the CAA required RTR. The EPA was required by the United States Supreme Court to review both costs and benefits of complying with the MATS rule. After its review of costs, the EPA determined that it is not appropriate and necessary to regulate hazardous air pollutant emissions from power plants under Section 112 of the CAA. As a result, under the proposed rule, the emission standards and other requirements of the MATS rule first enacted in 2012 would remain in place. The

EPA is not proposing to remove coal- and oil-fired power plants from the list of sources that are regulated under Section 112. The EPA also proposes that no revisions to MATS are warranted based on the results of the RTR. As a result, we do not expect the proposed rule to have a material impact on our financial condition or operations.

Climate Change – The ACE rule became effective in September 2019. This rule provides existing coal-fired generating units with standards for achieving GHG emission reductions. The rule was finalized in conjunction with two other separate and distinct rulemakings, (1) the repeal of the Clean Power Plan, and (2) revised implementing regulations for ACE, ongoing emissions guidelines, and all future emission guidelines for existing sources issued under CAA section 111(d). Every state's plan to implement ACE is required to focus on reducing GHG emissions by improving the efficiency of fossil-fueled power plants. The rule is being litigated in challenges brought in the D.C. Circuit Court of Appeals by 22 states (including Illinois, Michigan, Minnesota, and Wisconsin), local governments, and certain nongovernmental organizations. This litigation is proceeding, but has not yet been scheduled for oral argument. The WDNR is working with state utilities and has begun the process of developing the implementation plan with respect to the ACE rule.

In December 2018, the EPA proposed to revise the New Source Performance Standards for GHG emissions from new, modified, and reconstructed fossil-fueled power plants. The EPA determined that the BSER for new, modified, and reconstructed coal units is highly efficient generation that would be equivalent to supercritical steam conditions for larger units and subcritical steam conditions for smaller units. This proposed BSER would replace the determination from the previous rule, which identified BSER as partial carbon capture and storage.

In April 2019, we issued a climate report, which analyzes our GHG reduction goals with respect to international efforts to limit future global temperature increases to less than two degrees Celsius. We will evaluate potential GHG reduction pathways as climate change policies and relevant technologies evolve over time.

We continue to evaluate opportunities and actions that preserve fuel diversity, lower costs for our customers, and contribute toward long-term GHG emissions reductions. Our current plan is to work with our industry peers, environmental groups, public policy makers, and customers, with goals of reducing CO_2 emissions. In 2019, we met and exceeded our 2030 goal of reducing CO_2 emissions by 40% below 2005 levels, and are re-evaluating our longer-term CO_2 reduction goals. As a result of our generation reshaping plan, we retired approximately 1,800 MW of coal generation since the beginning of 2018, including the 2018 retirements of the Pleasant Prairie power plant, the Pulliam power plant, and the jointly-owned Edgewater Unit 4 generating units as well as the March 2019 retirement of the PIPP. See Note 6, Property, Plant, and Equipment, for more information. We also have a goal to decrease the rate of methane emissions from the natural gas distribution lines in our network by 30% per mile by the year 2030 from a 2011 baseline. We were over half way toward meeting that goal at the end of 2019.

We are required to report our CO_2 equivalent emissions from our electric generating facilities under the EPA Greenhouse Gases Reporting Program. Based upon our analysis of the data, we reported CO_2 equivalent emissions of 21.8 million metric tonnes and 26.4 million metric tonnes to the EPA for 2019 and 2018, respectively. The level of CO_2 and other GHG emissions varies from year to year and is dependent on the level of electric generation and mix of fuel sources, which is determined primarily by demand, the availability of the generating units, the unit cost of fuel consumed, and how our units are dispatched by MISO.

We are also required to report CO_2 equivalent emissions related to the natural gas that our natural gas utilities distribute and sell. Based upon our analysis of the data, we reported CO_2 equivalent emissions of 29.4 million metric tonnes to the EPA for 2019 and 2018.

Water Quality

Clean Water Act Cooling Water Intake Structure Rule – In August 2014, the EPA issued a final regulation under Section 316(b) of the Clean Water Act that requires the location, design, construction, and capacity of cooling water intake structures at existing power plants to reflect the BTA for minimizing adverse environmental impacts. The rule became effective in October 2014 and applies to all of our existing generating facilities with cooling water intake structures, except for the ERGS units, which were permitted under the rules governing new facilities.

We have received BTA determinations for OC 5 through OC 8, Weston Units 2, 3, and 4, and VAPP. Although we currently believe that existing technology at the PWGS satisfies the BTA requirements, final determinations will not be made until the discharge permit is renewed for this facility, which is expected to be in 2021. Until that time, we cannot determine what, if any, intake structure or operational modifications will be required to meet the new BTA requirements for this facility.

As a result of past capital investments completed to address Section 316(b) compliance at WE and WPS, we believe our fleet overall is well positioned to meet the regulation and do not expect to incur significant costs to comply with this regulation.

Steam Electric Effluent Limitation Guidelines – The EPA's final 2015 ELG rule took effect in January 2016. This rule created new requirements for several types of power plant wastewaters. The two new requirements that affect WE and WPS relate to discharge limits for BATW and wet FGD wastewater. As a result of past capital investments at WE and WPS, we believe our fleet is well positioned to meet the existing ELG regulations. Our power plant facilities already have advanced wastewater treatment technologies installed that meet many of the discharge limits established by this rule. There will, however, need to be modifications to the BATW systems at Weston Unit 3 and OC 7 and OC 8. Also, one wastewater treatment system modification may be required for the wet FGD discharges from the six units that make up the OCPP and ERGS. Based on preliminary engineering, we estimate that compliance with the current rule will require $60 million in capital costs.

The ELG requirements for BATW and wet FGD systems are currently being re-evaluated by the EPA. In September 2017, the EPA issued a final rule (Postponement Rule) to postpone the earliest compliance date to November 1, 2020 for the BATW and wet FGD wastewater requirements while it reconsiders the ELG rule. The Postponement Rule left unchanged the latest ELG rule compliance date of December 31, 2023. In November 2019, the EPA Administrator signed the proposed ELG Reconsideration Rule to revise the treatment technology requirements related to BATW and wet FGD wastewaters at existing facilities. The EPA also proposed a provision that exempts facility owners from the new BATW and wet FGD requirements if a generating unit is retired by December 31, 2028. We expect the rule to be finalized in late 2020. In the meantime, we are currently evaluating what impact, if any, the proposed rule would have on our estimated compliance cost.

Land Quality

Manufactured Gas Plant Remediation – We have identified sites at which our utilities or a predecessor company owned or operated a manufactured gas plant or stored manufactured gas. We have also identified other sites that may have been impacted by historical manufactured gas plant activities. Our natural gas utilities are responsible for the environmental remediation of these sites, some of which are in the EPA Superfund Alternative Approach Program. We are also working with various state jurisdictions in our investigation and remediation planning. These sites are at various stages of investigation, monitoring, remediation, and closure.

In addition, we are coordinating the investigation and cleanup of some of these sites subject to the jurisdiction of the EPA under what is called a "multisite" program. This program involves prioritizing the work to be done at the sites, preparation and approval of documents common to all of the sites, and use of a consistent approach in selecting remedies. At this time, we cannot estimate future remediation costs associated with these sites beyond those described below.

The future costs for detailed site investigation, future remediation, and monitoring are dependent upon several variables including, among other things, the extent of remediation, changes in technology, and changes in regulation. Historically, our regulators have allowed us to recover incurred costs, net of insurance recoveries and recoveries from potentially responsible parties, associated with the remediation of manufactured gas plant sites. Accordingly, we have established regulatory assets for costs associated with these sites.

We have established the following regulatory assets and reserves for manufactured gas plant sites as of December 31:

(in millions)	**2019**	2018
Regulatory assets	**$ 685.5**	$ 687.1
Reserves for future environmental remediation	**589.2**	616.4

Renewables, Efficiency, and Conservation

Wisconsin Legislation – In 2005, Wisconsin enacted Act 141, which established a goal that 10% of all electricity consumed in Wisconsin be generated by renewable resources annually. WE and WPS have achieved their required renewable energy percentages of 8.27% and 9.74%, respectively, and met their compliance requirements by constructing various wind parks, a biomass facility, and by also relying on renewable energy purchases. WE and WPS continue to review their renewable energy portfolios and acquire cost-effective renewables as needed to meet their requirements on an ongoing basis. The PSCW administers the renewable program related to Act 141, and each utility funds the program based on 1.2% of its annual retail operating revenues.

Michigan Legislation – In December 2016, Michigan enacted Act 342, which requires 12.5% of the state's electric energy to come from renewables for years 2019 through 2020, and energy optimization (efficiency) targets up to 1% annually. The renewable requirement is increased to 15.0% for 2021. UMERC was in compliance with these requirements as of December 31, 2019. The legislation continues to allow recovery of costs incurred to meet the standards and provides for ongoing review and revision to assure the measures taken are cost-effective.

Enforcement and Litigation Matters

We and our subsidiaries are involved in legal and administrative proceedings before various courts and agencies with respect to matters arising in the ordinary course of business. Although we are unable to predict the outcome of these matters, management believes that appropriate reserves have been established and that final settlement of these actions will not have a material effect on our financial condition or results of operations.

Consent Decrees

Wisconsin Public Service Corporation – Weston and Pulliam Power Plants – In November 2009, the EPA issued an NOV to WPS, which alleged violations of the CAA's New Source Review requirements relating to certain projects completed at the Weston and Pulliam power plants from 1994 to 2009. WPS entered into a Consent Decree with the EPA resolving this NOV. This Consent Decree was entered by the United States District Court for the Eastern District of Wisconsin in March 2013.

With the retirement of Pulliam Units 7 and 8 in October 2018, WPS completed the mitigation projects required by the Consent Decree and received a completeness letter from the EPA in October 2018. See Note 6, Property, Plant, and Equipment, for more information about the retirement of the Pulliam units. We plan to request termination of the WPS Consent Decree during 2020.

Joint Ownership Power Plants – Columbia and Edgewater – In December 2009, the EPA issued an NOV to Wisconsin Power and Light, the operator of the Columbia and Edgewater plants, and the other joint owners of these plants, including Madison Gas and Electric, WE (former co-owner of an Edgewater unit), and WPS. The NOV alleged violations of the CAA's New Source Review requirements related to certain projects completed at those plants. WPS, along with Wisconsin Power and Light, Madison Gas and Electric, and WE, entered into a Consent Decree with the EPA resolving this NOV. This Consent Decree was entered by the United States District Court for the Western District of Wisconsin in June 2013. As a result of the continued implementation of the Consent Decree related to the jointly owned Columbia and Edgewater plants, the Edgewater 4 generating unit was retired in September 2018. See Note 6, Property, Plant, and Equipment, for more information about the retirement. WE paid an immaterial portion of the assessed penalty but has no further obligations under the Consent Decree.

NOTE 24—SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31		
(in millions)	**2019**	**2018**	**2017**
Cash paid for interest, net of amount capitalized	**$ 485.9**	$ 441.5	$ 413.7
Cash paid (received) for income taxes, net	**(24.9)**	16.3	(5.2)
Significant non-cash investing and financing transactions:			
Accounts payable related to construction costs	**159.9**	65.9	169.2
Capital contributions from noncontrolling interest	**21.0**	—	—
Receivable related to corporate-owned life insurance proceeds	**—**	7.7	—
Portion of Bostco real estate holdings sale financed with note receivable *	**—**	—	7.0

* See Note 3, Dispositions, for more information on this sale.

The statements of cash flows include our activity related to cash, cash equivalents, and restricted cash. Our restricted cash primarily consists of the cash held in the Integrys rabbi trust, which is used to fund participants' benefits under the Integrys deferred compensation plan and certain Integrys non-qualified pension plans. All assets held within the rabbi trust are restricted as they can only be withdrawn from the trust to make qualifying benefit payments. Our restricted cash also includes the restricted cash we received when WECI acquired ownership interests in Bishop Hill III and Upstream during August 2018 and January 2019, respectively. This cash is restricted as it can only be used to pay for any remaining costs associated with the construction of these wind generation facilities. See Note 2, Acquisitions, for more information on the acquisitions of Bishop Hill III and Upstream.

The following table reconciles the cash, cash equivalents, and restricted cash amounts reported within the balance sheets at December 31 to the total of these amounts shown on the statements of cash flows:

(in millions)	**2019**	**2018**	**2017**
Cash and cash equivalents	**$ 37.5**	$ 84.5	$ 38.9
Restricted cash included in other current assets	**—**	2.5	—
Restricted cash included in other long term assets	**44.8**	59.1	19.7
Cash, cash equivalents, and restricted cash	**$ 82.3**	$ 146.1	$ 58.6

NOTE 25—REGULATORY ENVIRONMENT

Tax Cuts and Jobs Act of 2017

Due to the Tax Legislation, our regulated utilities deferred for return to ratepayers, through future refunds, bill credits, riders, or reductions in other regulatory assets, the estimated tax benefit of $2,529 million that resulted from the revaluation of deferred taxes. The Tax Legislation also reduced the corporate federal tax rate from a maximum of 35% to a 21% rate, effective January 1, 2018. We have received written orders from the PSCW and the MPSC addressing the refunding of certain of these tax benefits to ratepayers in Wisconsin and Michigan, respectively. The ICC has approved the VITA in Illinois, and the MPUC addressed the impacts to MERC in its 2018 rate order. See the Variable Income Tax Adjustment Rider discussion and the 2018 Minnesota Rate Order discussion below for more information. A summary of the Wisconsin and Michigan orders is outlined below.

Wisconsin

In May 2018, the PSCW issued an order regarding the benefits associated with the Tax Legislation. The PSCW order required WE's and WPS's electric utility operations to use 80% and 40%, respectively, of the current 2018 and 2019 tax benefits to reduce certain regulatory assets. The remaining 20% and 60% at WE and WPS, respectively, was to be returned to electric customers in the form of bill credits. For our Wisconsin natural gas utility operations, the PSCW indicated that 100% of the current 2018 and 2019 tax benefits should be returned to natural gas customers in the form of bill credits. Regarding the net tax benefit associated with the revaluation of deferred taxes, amortization required in accordance with normalization accounting was used to reduce certain regulatory assets for our electric utilities and was deferred at our natural gas utilities. The timing and method of returning the remaining net tax benefit associated with the revaluation of deferred taxes was addressed in the rate orders issued by the PSCW in December 2019. See the 2020 and 2021 Rates discussion below for more information.

Michigan

In February 2018, the MPSC issued an order requiring Michigan utilities to make three filings related to the Tax Legislation. The first of those filings, which was filed in March 2018, prospectively addressed the impact on base rates for the change in tax expense resulting from the federal tax rate reduction from 35% to 21%. MGU and UMERC proposed providing a volumetric bill credit, subject to reconciliation and true up. In May 2018, the MPSC issued orders approving settlements that resulted in volumetric bill credits for all of MGU's and UMERC's customers effective July 1, 2018. The bill credits will remain in effect until each company's next rate proceeding.

The second filing, which was filed in July 2018, addressed the impact on base rates for the change in tax expense resulting from the federal tax rate reduction from 35% to 21% from January 1, 2018 until July 1, 2018. MGU and UMERC proposed to return the tax savings from these months to customers via volumetric bill credits over multiple months. The MPSC issued orders approving settlements in September 2018. In accordance with the settlement orders, the savings were returned to MGU's and UMERC's customers via volumetric bill credits that were in effect from October 1, 2018 through December 31, 2018.

The third filing was filed in October 2018 and addressed the remaining impacts of the Tax Legislation on base rates – most notably the re-measurement of deferred tax balances. MGU and UMERC proposed providing a volumetric bill credit, subject to reconciliation and true up, to return these remaining impacts of the Tax Legislation to customers. The MPSC issued orders approving settlements in May 2019. The settlement orders provide for volumetric bill credits to MGU's and UMERC's customers effective June 1, 2019. The bill credits will remain in effect until each company's next rate proceeding.

WE, which served one retail electric customer in Michigan, reached a settlement with that customer. That settlement was approved by the MPSC in May 2018 and addressed all base rate impacts of the Tax Legislation, which were returned to the customer through bill credits.

Wisconsin Electric Power Company, Wisconsin Public Service Corporation, and Wisconsin Gas LLC

2020 and 2021 Rates

In March 2019, WE, WPS, and WG filed applications with the PSCW to increase their retail electric, natural gas, and steam rates, as applicable, effective January 1, 2020. In August 2019, all three utilities filed applications with the PSCW for approval of settlement agreements entered into with certain intervenors to resolve several outstanding issues in each utility's respective rate case. On December 19, 2019, the PSCW issued written orders that approved the settlement agreements without material modification and addressed the remaining outstanding issues that were not included in the settlement agreements. The new rates became effective January 1, 2020. The final orders reflect the following:

	WE	WPS	WG
2020 Effective rate increase (decrease)			
Electric [1] [2]	$ 15.3 million / 0.5%	$ 15.8 million / 1.6%	N/A
Gas [3]	$ 10.4 million / 2.8%	$ 4.3 million / 1.4%	$ (1.5) million / (0.2)%
Steam	$ 1.9 million / 8.6%	N/A	N/A
ROE	10.0%	10.0%	10.2%
Common equity component average on a financial basis	52.5%	52.5%	52.5%

(1) Amounts are net of certain deferred tax benefits from the Tax Legislation that were utilized to reduce near-term rate impact. The WE and WPS rate orders reflect the majority of the unprotected deferred tax benefits from the Tax Legislation being amortized over two years. For WE, approximately $65 million of tax benefits will be amortized in each of 2020 and 2021. For WPS, approximately $11 million of tax benefits are being amortized in 2020 and approximately $39 million will be amortized in 2021. The unprotected deferred tax benefits related to the unrecovered balances of WE's recently retired plants and its SSR regulatory asset are being used to reduce the related regulatory asset. Unprotected deferred tax benefits by their nature are eligible to be returned to customers in a manner and timeline determined to be appropriate by our regulators.

(2) The WPS rate order is net of $21 million of refunds related to its 2018 earnings sharing mechanism. These refunds will be made to customers evenly over two years, with half being returned in 2020 and the remainder in 2021.

(3) The WE amount includes certain deferred tax expense from the Tax Legislation, and the WPS and WG amounts are net of certain deferred tax benefits from the Tax Legislation that were utilized to reduce near-term rate impact. The rate orders for all three gas utilities reflect all of the unprotected deferred tax expense and benefits from the Tax Legislation being amortized evenly over four years. For WE, approximately $5 million of previously deferred tax expense will be amortized each year. For WPS and WG, approximately $5 million and $3 million, respectively, of previously deferred tax benefits will be amortized each year. Unprotected deferred tax expense and benefits by their nature are eligible to be recovered from or returned to customers in a manner and timeline determined to be appropriate by our regulators.

In accordance with its rate order, WE will seek a financing order from the PSCW to securitize $100 million of Pleasant Prairie power plant's book value, plus the carrying costs accrued on the $100 million during the securitization process and related fees. The securitization will reduce the carrying costs for the $100 million, benefiting customers.

The WPS rate order allows WPS to collect the previously deferred revenue requirement for ReACT™ costs above the authorized $275.0 million level. The total cost of the ReACT™ project was $342 million. This regulatory asset will be collected from customers over eight years.

All three Wisconsin utilities will continue having an earnings sharing mechanism through 2021. The earnings sharing mechanism was modified from its previous structure to one that is consistent with other Wisconsin investor-owned utilities. Under the new earnings sharing mechanism, if the utility earns above its authorized ROE: (i) the utility retains 100.0% of earnings for the first 25 basis points above the authorized ROE; (ii) 50.0% of the next 50 basis points is refunded to customers; and (iii) 100.0% of any remaining excess earnings is refunded to customers. In addition, the rate orders also require WE, WPS, and WG to maintain residential and small commercial electric and natural gas customer fixed charges at previously authorized rates and to maintain the status quo for WE's and WPS's electric market-based rate programs for large industrial customers through 2021.

2018 and 2019 Rates

During April 2017, WE, WPS, and WG filed an application with the PSCW for approval of a settlement agreement they made with several of their commercial and industrial customers regarding 2018 and 2019 base rates. In September 2017, the PSCW issued an order that approved the settlement agreement, which froze base rates through 2019 for electric, natural gas, and steam customers of WE, WPS, and WG. Based on the PSCW order, the authorized ROE for WE, WPS, and WG remained at 10.2%, 10.0%, and 10.3%, respectively, and the capital cost structure for all of our Wisconsin utilities remained unchanged through 2019.

In addition to freezing base rates, the settlement agreement extended and expanded the electric real-time market pricing program options for large commercial and industrial customers and mitigated the continued growth of certain escrowed costs at WE during the base rate freeze period by accelerating the recognition of certain tax benefits. WE was flowing through the tax benefit of its repair-related deferred tax liabilities in 2018 and 2019, to maintain certain regulatory asset balances at their

December 31, 2017 levels. While WE would typically follow the normalization accounting method and utilize the tax benefits of the deferred tax liabilities in rate-making as an offset to rate base, benefiting customers over time, the federal tax code does allow for passing these tax repair-related benefits to ratepayers much sooner using the flow through accounting method. The flow through treatment of the repair-related deferred tax liabilities offset the negative income statement impact of holding the regulatory assets level, resulting in no change to net income.

The agreement also allowed WPS to extend through 2019, the deferral for the revenue requirement of ReACT™ costs above the authorized $275.0 million level, and other deferrals related to WPS's electric real-time market pricing program and network transmission expenses.

Pursuant to the settlement agreement, WPS also agreed to adopt, beginning in 2018, the earnings sharing mechanism that had been in place for WE and WG since January 2016, and all three utilities agreed to keep the mechanism in place through 2019. Under this earnings sharing mechanism, if WE, WPS, or WG earned above its authorized ROE, 50% of the first 50 basis points of additional utility earnings were required to be refunded to customers. All utility earnings above the first 50 basis points were also required to be refunded to customers.

Liquefied Natural Gas Facilities

On November 1, 2019, WE and WG filed a joint application with the PSCW requesting approval for each company to construct its own LNG facility. If approved, each facility would provide one billion cubic feet of natural gas supply to meet peak demand without requiring the construction of additional interstate pipeline capacity. These facilities are expected to reduce the likelihood of constraints on WE's and WG's natural gas systems during the highest demand days of winter. The total cost of both projects is estimated to be approximately $370 million, with approximately half being invested by each utility. Commercial operation of the LNG facilities is targeted for the end of 2023.

Solar Generation Projects

On August 1, 2019, WE, along with an unaffiliated utility, filed an application with the PSCW for approval to acquire an ownership interest in a proposed solar project, Badger Hollow II, that will be located in Iowa County, Wisconsin. Once constructed, WE will own 100 MW of the output of this project. WE's share of the cost of this project is estimated to be $130 million. At its meeting on February 20, 2020, the PSCW approved the acquisition of this project. The approval is still subject to WE's receipt and review of a final written order from the PSCW. Commercial operation of Badger Hollow II is targeted for the end of 2021.

In May 2018, WPS, along with an unaffiliated utility, filed an application with the PSCW for approval to acquire ownership interests in two solar projects in Wisconsin. Badger Hollow I is located in Iowa County, Wisconsin, and Two Creeks is located in Manitowoc County, Wisconsin. Once constructed, WPS will own 100 MW of the output of each project for a total of 200 MW. WPS's share of the cost of both projects is estimated to be $256 million. The PSCW approved the acquisition of these two projects in April 2019. Commercial operation of both projects is targeted for the end of 2020.

Acquisition of a Wind Energy Generation Facility in Wisconsin

In October 2017, WPS, along with two other unaffiliated utilities, entered into an agreement to purchase Forward Wind Energy Center, which consists of 86 wind turbines located in Wisconsin with a total capacity of 138 MW. The FERC approved the transaction in January 2018, and the PSCW approved the transaction in March 2018. The transaction closed in April 2018. See Note 2, Acquisitions, for more information.

Natural Gas Storage Facilities in Michigan

In January 2017, we signed an agreement for the acquisition of Bluewater. Bluewater owns natural gas storage facilities in Michigan that provide approximately one-third of the current storage needs for the natural gas operations of WE, WPS, and WG. As a result of this agreement, WE, WPS, and WG filed a request with the PSCW in February 2017 for a declaratory ruling on various items associated with the storage facilities. In the filing, WE, WPS, and WG requested that the PSCW review and confirm the reasonableness and prudency of their potential long-term storage service agreements and interstate natural gas transportation contracts related to the storage facilities. WE, WPS, and WG also requested approval to amend our Affiliated Interest Agreement to ensure WBS and our other subsidiaries could provide services to the storage facilities. During June 2017, the PSCW granted, subject to various conditions, these declarations and approvals, and we acquired Bluewater on June 30, 2017. In September 2017, WE, WPS, and WG entered into the long-term service agreements for the natural gas storage, which were approved by the PSCW in November 2017. See Note 2, Acquisitions, for more information.

The Peoples Gas Light and Coke Company and North Shore Gas Company

Illinois Proceedings

In December 2015, the ICC ordered a series of stakeholder workshops to evaluate PGL's SMP, which were completed in March 2016. In July 2016, the ICC initiated a proceeding to review, among other things, the planning, reporting, and monitoring of the program, including the target end date for the program, and issued a final order in January 2018. The order did not have a significant impact on PGL's existing SMP design and execution. An appeal related to the final order was filed by the Illinois AG in April 2018. In June 2019, the Illinois Appellate Court issued its ruling affirming the ICC’s final order. The appeal period has since expired for this ruling.

Qualifying Infrastructure Plant Rider

In July 2013, Illinois Public Act 98-0057, The Natural Gas Consumer, Safety & Reliability Act, became law. This law provides PGL with a cost recovery mechanism that allows collection, through a surcharge on customer bills, of prudently incurred costs to upgrade Illinois natural gas infrastructure. In September 2013, PGL filed with the ICC requesting the proposed rider, which was approved in January 2014.

PGL's QIP rider is subject to an annual reconciliation whereby costs are reviewed for accuracy and prudency. In March 2019, PGL filed its 2018 reconciliation with the ICC, which, along with the 2017 and 2016 reconciliations, are still pending. In July 2019, the ICC approved a settlement of the 2015 reconciliation, which included a rate base reduction of $7.0 million and a $7.3 million refund to ratepayers. As of December 31, 2019, all amounts had been refunded.

As of December 31, 2019, there can be no assurance that all costs incurred under PGL's QIP rider during the open reconciliation years will be deemed recoverable by the ICC.

Variable Income Tax Adjustment Rider

In April 2018, the ICC approved the VITA proposed by PGL and NSG. The VITA recovers or refunds changes in income tax expense resulting from differences in income tax rates and amortization of deferred tax excesses and deficiencies (in accordance with the Tax Legislation) from the amounts used in the last PGL and NSG rate case, effective January 25, 2018.

Minnesota Energy Resources Corporation

2018 Minnesota Rate Order

In October 2017, MERC initiated a rate proceeding with the MPUC. In December 2018, the MPUC issued a final written order for MERC. The order authorized a retail natural gas rate increase of $3.1 million (1.26%). The rates reflect a 9.7% ROE and a common equity component average of 50.9%. The final rates were implemented on July 1, 2019. The final approved rate increase was lower than the interim rates collected from customers during 2018 and through June 30, 2019. Therefore, MERC refunded $8.2 million to its customers during the second half of 2019.

The final order addressed the various impacts of the Tax Legislation, including the remeasurement of deferred tax balances. All of the impacts from the Tax Legislation have been included in base rates. The order also approved MERC's continued use of its decoupling mechanism for residential customers. Effective January 1, 2019, MERC's small commercial and industrial customers are no longer included in the decoupling mechanism.

Michigan Gas Utilities Corporation

2021 Rate Application

On February 3, 2020, MGU provided notification to the MPSC of its intent to file an application requesting an increase to its natural gas rates. The application is expected to be filed in March 2020 and to request new rates be effective January 1, 2021. MGU is currently in the process of evaluating its rate request.

Upper Michigan Energy Resources Corporation

Formation of Upper Michigan Energy Resources Corporation

In December 2016, both the MPSC and the PSCW approved the operation of UMERC as a stand-alone utility in the Upper Peninsula of Michigan, and UMERC became operational effective January 1, 2017. This utility holds the electric and natural gas distribution assets, previously held by WE and WPS, located in the Upper Peninsula of Michigan.

In August 2016, we entered into an agreement with Tilden under which Tilden agreed to purchase electric power from UMERC for its iron ore mine for 20 years, contingent upon UMERC's construction of approximately 180 MW of natural gas-fired generation in the Upper Peninsula of Michigan. In October 2017, the MPSC approved both the agreement with Tilden and UMERC's application for a certificate of necessity to begin construction of the proposed generation.

On March 31, 2019, UMERC's new generation solution in the Upper Peninsula began commercial operation, and the agreement with Tilden became effective. The cost of the new units was approximately $242 million ($255 million with AFUDC), 50% of which is expected to be recovered from Tilden, with the remaining 50% expected to be recovered from UMERC's other utility customers. Tilden remained a customer of WE until the new generation began commercial operation.

NOTE 26—OTHER INCOME, NET

Total other income, net was as follows for the years ended December 31:

(in millions)	2019	2018	2017
AFUDC – Equity	**$ 14.4**	$ 15.2	$ 11.4
Non-service components of net periodic benefit costs	**36.2**	26.0	9.1
Gains (losses) from investments held in rabbi trust	**21.2**	(1.8)	21.5
Other, net	**30.4**	30.9	31.7
Other income, net	**$ 102.2**	$ 70.3	$ 73.7

NOTE 27—QUARTERLY FINANCIAL INFORMATION (Unaudited)

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2019					
Operating revenues	**$ 2,377.4**	**$ 1,590.2**	**$ 1,608.0**	**$ 1,947.5**	**$ 7,523.1**
Operating income	**542.8**	**314.6**	**310.9**	**363.1**	**1,531.4**
Net income attributed to common shareholders	**420.1**	**235.7**	**234.3**	**243.9**	**1,134.0**
Earnings per share *					
Basic	**$ 1.33**	**$ 0.75**	**$ 0.74**	**$ 0.77**	**$ 3.60**
Diluted	**1.33**	**0.74**	**0.74**	**0.77**	**3.58**
2018					
Operating revenues	$ 2,286.5	$ 1,672.5	$ 1,643.7	$ 2,076.8	$ 7,679.5
Operating income	545.1	330.8	302.7	289.8	1,468.4
Net income attributed to common shareholders	390.1	231.0	233.2	205.0	1,059.3
Earnings per share *					
Basic	$ 1.24	$ 0.73	$ 0.74	$ 0.65	$ 3.36
Diluted	1.23	0.73	0.74	0.65	3.34

* Earnings per share for the individual quarters may not total the year ended earnings per share amount because of changes to the average number of shares outstanding and changes in incremental issuable shares throughout the year.

NOTE 28—NEW ACCOUNTING PRONOUNCEMENTS

Financial Instruments Credit Losses

Effective January 1, 2020, we adopted FASB ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," using the modified retrospective transition method. This ASU amends the impairment model to utilize an expected loss methodology in place of the incurred loss methodology for financial instruments. The amendment requires entities to consider a broader range of information to estimate expected credit losses, which may result in earlier recognition of loss. Our exposure to credit losses is related to our accounts receivable and unbilled revenue balances, which are primarily generated from the sale of electricity and natural gas by our regulated utility operations.

Because our exposure to credit losses for many of our regulated utility customers is mitigated by regulatory mechanisms we have in place, the noncash cumulative effect adjustment we recorded to retained earnings on January 1, 2020, as a result of our adoption of this standard, was not significant. The most significant impact of implementing this ASU will be in the form of additional disclosures that will be required in our quarterly report on Form 10-Q for the quarter ended March 31, 2020. These disclosures are intended to provide information that will help users of our financial statements analyze our exposure to credit risk and understand how we estimate our allowance for credit losses.

Cloud Computing

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The standard allows entities who are customers in hosting arrangements that are service contracts to apply the existing internal-use software guidance to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The guidance specifies classification for capitalizing implementation costs and related amortization expense within the financial statements and requires additional disclosures. The adoption of ASU 2018-15, effective January 1, 2020, did not have a significant impact on our financial statements.

Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, Disclosure Framework: Changes to the Disclosure Requirements for Defined Benefit Plans. The pronouncement modifies the disclosure requirements for defined benefit pension and other postretirement benefit plans. The guidance removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. The modifications affect annual period disclosures and must be applied on a retrospective basis to all periods presented. The guidance will be effective for annual reporting periods ending after December 15, 2020, with early adoption permitted. We are currently evaluating the effects of this pronouncement on the notes to our financial statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of WEC Energy Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of WEC Energy Group, Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities - Impact of rate regulation on financial statements — Refer to Notes 5 and 25 to the financial statements

Critical Audit Matter Description

The Company's regulated utilities are subject to regulation by various state and federal regulatory bodies (collectively the "Commissions") which have jurisdiction with respect to the rates of electric and gas distribution companies in each respective state. Management has determined the Company meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the Regulated Operations Topic of the Financial Accounting Standards Board's Accounting Standard Codification.

Rates are determined and approved in regulatory proceedings based on an analysis of the Company's costs to provide utility service and a return on, and recovery of, the Company's investment in the utility business. Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered by rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Certain items that would otherwise be immediately recognized as revenues and expenses are deferred as regulatory assets and regulatory liabilities for future recovery or refund to customers, as authorized by the Company's regulators. Future decisions of the Commissions will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates, and any refunds that may be required.

While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve: (1) full recovery of the costs of providing utility service, (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment or (3) timely recovery of costs incurred. The Company had $3,528 million and $4,080 million of regulatory assets and liabilities, respectively, as of December 31, 2019.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Given that management's accounting judgments can be based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following procedures, among others:

- We tested the effectiveness of management's controls over regulatory assets and liabilities, including management's controls over the identification of costs recorded as regulatory assets and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.

- We inquired of Company management and read: (1) relevant regulatory orders issued by the Commissions for the Company and other public utilities in each respective state, (2) company filings, (3) filings made by intervenors and (4) other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedence of the Commissions' treatment of similar costs under similar circumstances.

- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We obtained management's analysis regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Deloitte & Touche LLP

February 27, 2020

We have served as the Company's auditor since 2002.

Deloitte.

Deloitte & Touche LLP
555 East Wells Street
Suite 1400
Milwaukee, WI 53202-3824
USA

Tel: +1 414 271 3000
Fax: +1 414 347 6200
www.deloitte.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of WEC Energy Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of WEC Energy Group, Inc. and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 27, 2020, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audits included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP

February 27, 2020

INTERNAL CONTROL OVER FINANCIAL REPORTING

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our and our subsidiaries' internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation, our management concluded that our and our subsidiaries' internal control over financial reporting was effective as of December 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

For Deloitte & Touche LLP's Report of Independent Registered Public Accounting Firm, attesting to the effectiveness of our internal controls over financial reporting, see Page F-96.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fourth quarter of 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

WEC ENERGY GROUP, INC.
COMPARATIVE SELECTED FINANCIAL DATA AND OTHER STATISTICS

As of or for Year Ended December 31 ***(in millions, except per share information)***	**2019**	**2018**	**2017 (1)**	**2016**	**2015 (2)**
Operating revenues	**$ 7,523.1**	$ 7,679.5	$ 7,648.5	$ 7,472.3	$ 5,926.1
Net income attributed to common shareholders	**1,134.0**	1,059.3	1,203.7	939.0	638.5
Total assets	**34,951.8**	33,475.8	31,590.5	30,123.2	29,355.2
Preferred stock of subsidiary	**30.4**	30.4	30.4	30.4	30.4
Long-term debt (excluding current portion)	**11,211.0**	9,994.0	8,746.6	9,158.2	9,124.1
Weighted average common shares outstanding					
Basic	**315.4**	315.5	315.6	315.6	271.1
Diluted	**316.7**	316.9	317.2	316.9	272.7
Earnings per share					
Basic	**$ 3.60**	$ 3.36	$ 3.81	$ 2.98	$ 2.36
Diluted	**$ 3.58**	$ 3.34	$ 3.79	$ 2.96	$ 2.34
Dividends per share of common stock	**$ 2.36**	$ 2.21	$ 2.08	$ 1.98	$ 1.74

(1) Includes a $206.7 million increase in net income attributed to common shareholders related to a re-measurement of our deferred taxes as a result of the Tax Legislation. See Note 15, Income Taxes, for more information.

(2) Includes the impact of the Integrys acquisition for the last two quarters of 2015.

PERFORMANCE GRAPH

The performance graph below shows a comparison of the cumulative total return, assuming reinvestment of dividends, over the last five years had $100 been invested at the close of business on December 31, 2014, in each of:

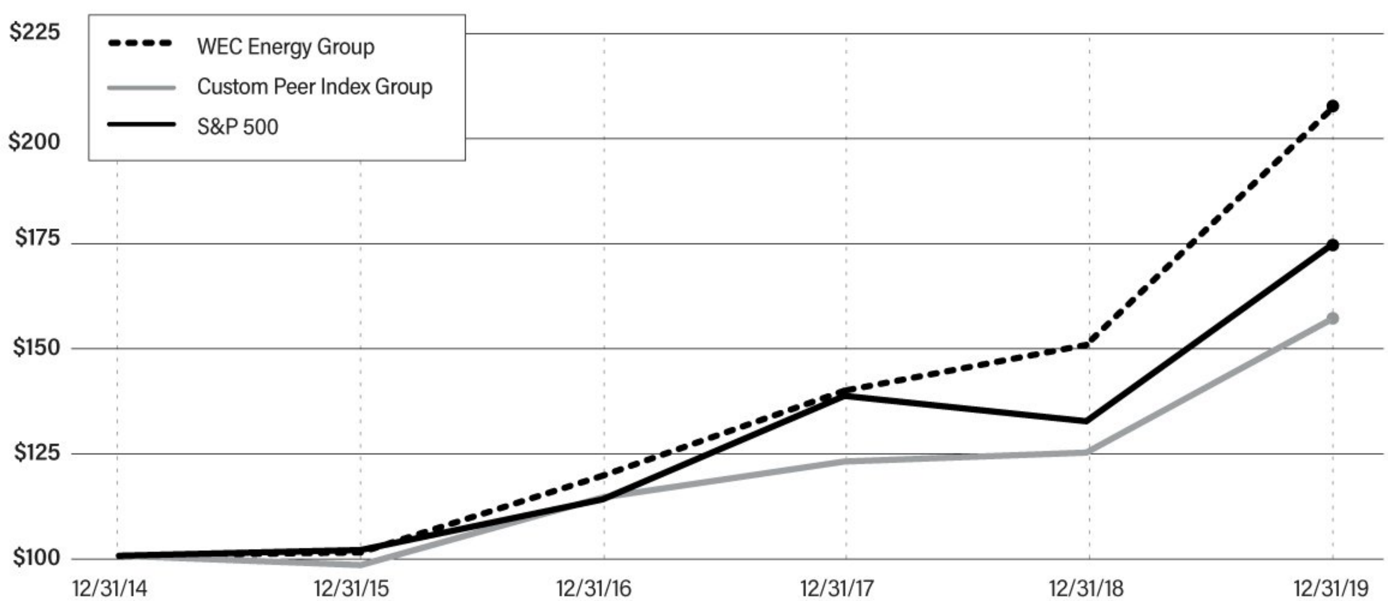
- WEC Energy Group common stock;
- a Custom Peer Index Group; and
- the Standard & Poor's 500 Index ("S&P 500").

Custom Peer Index Group. We have used the Custom Peer Index Group for peer comparison purposes because we believe the Index provided an accurate representation of our peers. The Custom Peer Index Group is a market capitalization-weighted index of companies, including WEC Energy Group, that are similar to us in terms of size and business model.

In addition to WEC Energy Group, the companies in the Custom Peer Index Group are: Alliant Energy Corporation; Ameren Corporation; American Electric Power Company, Inc.; CMS Energy Corporation; Consolidated Edison, Inc.; DTE Energy Company; Duke Energy Corp.; Edison International; Evergy, Inc.; Eversource Energy; FirstEnergy Corp.; NiSource Inc.; OGE Energy Corp.; PG&E Corporation; Pinnacle West Capital Corporation; SCANA Corporation; The Southern Company; and Xcel Energy Inc.

On January 2, 2019, SCANA Corporation was acquired by Dominion Energy, Inc. As a result, SCANA Corporation is no longer a public company. We included SCANA Corporation in the Custom Peer Index Group for the past several years. Accordingly, the Five-Year Cumulative Return for the Custom Peer Index Group was calculated using SCANA Corporation's performance through December 31, 2018, and SCANA Corporation's performance was removed from the calculation thereafter.

Five-Year Cumulative Return



Value of Investment at Year-End

	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
WEC Energy Group, Inc.	$100	$100.79	$119.15	$139.50	$150.46	$206.17
Custom Peer Index Group	$100	$97.77	$113.95	$122.55	$124.69	$156.17
S&P 500	$100	$101.37	$113.49	$138.26	$132.19	$173.80

MARKET FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

NUMBER OF COMMON STOCKHOLDERS

As of January 31, 2020, based upon the number of WEC Energy Group shareholder accounts (including accounts in our dividend reinvestment and stock purchase plan), we had approximately 45,000 registered shareholders.

COMMON STOCK LISTING AND TRADING

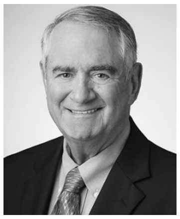
Our common stock is listed on the New York Stock Exchange under the ticker symbol "WEC."

COMMON STOCK DIVIDENDS OF WEC ENERGY GROUP

We review our dividend policy on a regular basis. Subject to any regulatory restrictions or other limitations on the payment of dividends, future dividends will be at the discretion of the Board of Directors and will depend upon, among other factors, earnings, financial condition, and other requirements. For more information on our dividends, including restrictions on the ability of our subsidiaries to pay us dividends, see Note 10, Common Equity.

BOARD OF DIRECTORS

Barbara L. Bowles
Director since 1998.
Retired Vice Chair of Profit Investment Management and Retired Chairman of The Kenwood Group, Inc., investment advisory firms. The Kenwood Group, Inc. was merged into Profit Investment Management in 2006.



Albert J. Budney, Jr.
Director since 2015.
Retired President and Director of Niagara Mohawk Holdings, Inc., a holding company whose subsidiaries distribute electricity in New York.

Patricia W. Chadwick
Director since 2006.
President of Ravengate Partners, LLC, which provides businesses and not-for-profit institutions with advice about the financial markets, business management, and global economics.

Curt S. Culver
Director since 2004.
Non-Executive Chairman of the Board of MGIC Investment Corporation and Mortgage Guaranty Insurance Corporation, a private mortgage insurance company.

Danny L. Cunningham
Director since 2018.
Retired Partner and Chief Risk Officer of Deloitte & Touche LLP, an industry-leading audit, consulting, tax, and advisory firm.

William M. Farrow III
Director since 2018.
Chairman and Chief Executive Officer of Winston and Wolfe LLC, a privately held technology development and advisory company.

Thomas J. Fischer
Director since 2005.
Principal of Fischer Financial Consulting LLC, which provides consulting on corporate financial, accounting, and governance matters.

J. Kevin Fletcher
Director since 2019.
President and Chief Executive Officer of WEC Energy Group, Inc.

Maria C. Green
Director since 2019.
Retired Senior Vice President and General Counsel of Ingersoll Rand Inc., a diversified industrial manufacturer serving customers in global commercial, industrial and residential markets.

Gale E. Klappa
Director since 2003.
Executive Chairman of the Board of WEC Energy Group, Inc.

Henry W. Knueppel
Director since 2013.
Retired Chairman and Chief Executive Officer of Regal Beloit Corporation, a leading manufacturer of electric motors, mechanical and electrical motion controls, and power generation products.

Thomas K. Lane
Director since 2020.
Vice Chairman of Energy Capital Partners LLC, a private equity firm that focuses on investing in existing and new-build energy infrastructure projects, primarily in North America.

Ulice Payne, Jr.
Director since 2003.
Managing Member of Addison-Clifton, LLC, which provides global trade compliance advisory services.

Mary Ellen Stanek
Director since 2012.
Managing Director and Director of Asset Management of Baird Financial Group; Chief Investment Officer, Baird Advisors; President, Baird Funds, Inc. Baird Financial Group provides wealth management, capital markets, private equity, and asset management services to clients worldwide.

OFFICERS

The names and positions as of January 31, 2020, of WEC Energy Group's officers are listed below.

Gale E. Klappa * - Executive Chairman of the Board.

J. Kevin Fletcher * - President and Chief Executive Officer.

Frederick D. Kuester * - Senior Executive Vice President.

Scott J. Lauber * - Senior Executive Vice President and Chief Financial Officer.

Robert M. Garvin * - Executive Vice President-External Affairs.

Margaret C. Kelsey * - Executive Vice President, General Counsel and Corporate Secretary.

M. Beth Straka * - Senior Vice President-Corporate Communications and Investor Relations.

Darnell K. DeMasters - Vice President-Federal Government Affairs.

William J. Guc * - Vice President and Controller.

Anthony L. Reese * - Vice President and Treasurer.

James A. Schubilske - Vice President and Chief Audit Officer.

David L. Hughes - Assistant Treasurer.

* Executive Officer of WEC Energy Group as of January 31, 2020.

The following individuals were also executive officers of WEC Energy Group as of January 31, 2020:

- Charles R. Matthews - President of Peoples Energy, LLC, and President and Chief Executive Officer of The Peoples Gas Light and Coke Company and North Shore Gas Company.
- Tom Metcalfe - President of Wisconsin Electric Power Company, Wisconsin Gas LLC and Wisconsin Public Service Corporation.

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WEC Energy Group

NOTICE OF 2020 ANNUAL MEETING AND PROXY STATEMENT

An Energy Industry Leader

WEC Energy Group is one of the nation's leading energy companies, with the operational expertise and financial resources to meet the electricity and natural gas needs of customers across the Midwest.

$31.5 billion
market cap*

1.6 million
electric customers

2.9 million
natural gas customers

7,100
megawatts of power capacity

70,600
miles of electric distribution lines throughout Wisconsin and Michigan

Overhead: **36,500 miles**
Underground: **34,100 miles**

60% ownership of American Transmission Company

50,700
miles of natural gas distribution and transmission lines

$35 billion
of assets

9th largest
natural gas distribution utility in the U.S. based on customers

9th largest
publicly traded utility in the U.S. measured by market value*

7,500
employees

WEC Infrastructure

Majority interests in **wind farms** outside service area

Invested or committed to invest in projects with a cumulative total capacity of approximately 1,000 megawatts of carbon-free energy.

Nearly **$1.4 billion** in committed investments between 2018-2020

*As of 1/31/2020

Dear Fellow Stockholders

On behalf of our Board of Directors, I cordially invite you to attend WEC Energy Group's Annual Meeting of Stockholders. We look forward to hosting this year's meeting at the New York Stock Exchange, following their invitation to recognize the company's long-standing listing on the Exchange.

During 2019, in my role as Executive Chairman, I had the opportunity to meet with investors from across the United States, Europe, Asia and Australia - sharing information about our company and receiving input from our investors. These constructive dialogues informed our Board's decision making throughout the year.

As we approach our Annual Meeting of Stockholders, I'm pleased to highlight several key areas of focus for the Board over the past year - highlighting our efforts to grow shareholder value, achieve our sustainability objectives, and deliver safe, reliable and affordable energy to our customers.

Record-setting Financial Results

- Reported record earnings from operations.
- Achieved a 37% total shareholder return - surpassing the performance of the major market indices.

Substantial Progress on Commitment to Deliver Clean Energy Future

- Met and exceeded our 2030 goal of reducing carbon emissions by 40% below 2005 levels.
- Set - and are already more than half-way toward meeting - a goal to reduce the rate of methane emissions from our natural gas distribution lines. A key factor in achieving this goal is our ongoing work to modernize Chicago's natural gas distribution network.

Seamless Execution of Board and Management Succession Plans

- Replaced two independent directors who completed their service with two new, independent board members, reducing the Board's average tenure and enhancing the diversity of director skills.
- Maintained active oversight of the succession planning process for executive management to foster a deep talent bench and enable effective leadership succession.

Continued, Strong Linkage between Pay and Performance

- Included challenging financial and ESG metrics in our incentive compensation program.
- Tied approximately 81% of our CEO's total direct compensation to the achievement of our short-term and long-term goals, resulting in a substantial portion of pay being "at risk." An average of 78% of total direct compensation for the other named executive officers was "at risk."

I ask for your support of the three proposals requiring a vote at this year's Annual Meeting. And, as always, we welcome your continued engagement. Thank you for your confidence in WEC Energy Group.

Gale E. Klappa
Executive Chairman

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Notice of 2020 Annual Meeting of Stockholders

When

Wednesday, May 6, 2020 at 2:30 p.m. Eastern time.
Registration begins at 1:30 p.m.

Where

The New York Stock Exchange
11 Wall St, New York, NY 10005

Voting

(before 11:59 p.m. Eastern time on Tuesday, May 5, 2020)

Your vote is important. Please vote as soon as possible by one of the methods shown below. **Make sure you have a proxy card, voting instruction form or notice of the Internet availability in hand and follow the instructions.**

By telephone
In the U.S. or Canada you can vote your shares toll-free by calling 1-800-652-8683.

By internet
You can vote your shares online at investorvote.com.

By mail
You can vote your shares by marking, dating and signing your proxy card or voting instruction form and returning it in the postage paid envelope.

By tablet or smartphone
You can vote your shares with your tablet or smartphone by scanning the QR code.

Who can vote
Holders of WEC Energy Group common stock at the close of business on Feb. 26, 2020. Each share of common stock is entitled to one vote for each director position and one vote for each of the other proposals.

Stockholders who beneficially hold shares in street name through an intermediary on this date must obtain a legal proxy from their broker, bank or other nominee granting the right to vote.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 6, 2020

The Proxy Statement and 2019 Annual Report are available at www.envisionreports.com/wec.

Items of Business

Proposal 1

Elect 12 directors for terms expiring in 2021.

Proposal 2

Provide advisory vote to approve compensation of the named executive officers.

Proposal 3

Ratify Deloitte & Touche LLP as independent auditors for 2020.

In addition, any other business properly presented may be acted upon at the meeting.

Who can attend
Stockholders who wish to attend the meeting in-person must pre-register. See pages P69-70 for registration instructions and identification requirements. If you are unable to attend, you may view a live webcast on our website at www.wecenergygroup.com/invest/annualmtg.htm.

All stockholders of record may vote in person at the meeting. Beneficial owners may vote in person at the meeting if they have a legal proxy, as described on page P-67.

Date of mailing
On or about March 25, 2020, these proxy materials and WEC Energy Group's annual report are being mailed or made available to stockholders.

Margaret C. Kelsey
Executive Vice President,
General Counsel and Corporate Secretary
March 25, 2020

Proxy Summary

This summary highlights selected information related to items to be voted on at the annual meeting of stockholders. This summary does not contain all of the information that you should consider when deciding how to vote. Please read the entire proxy statement before voting. Additional information regarding WEC Energy Group Inc.'s (the "Company" or "WEC Energy Group") 2019 performance can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Proposal 1 — Election of 12 Directors

See **pages P14-19** for more information.

The Board of Directors (the "Board") recommends a vote **FOR** each nominee listed below

- Slate of candidates embodies diversity of knowledge, skills, experiences, gender, race/ethnicity, tenure and maturity.
- All candidates are highly regarded executives with strong integrity.
- Average tenure of 8 years.
- Corporate governance practices consistently recognized with strong governance ratings.

The Director Nominees at a Glance

Patricia W. Chadwick
President, Ravengate Partners, LLC
Age: 71
Director since: 2006

Thomas J. Fischer
Principal, Fischer Financial Consulting LLC
Age: 72
Director since: 2005

Henry W. Knueppel
Retired Chairman and CEO, Regal Beloit Corporation
Age: 71
Director since: 2013

Curt S. Culver
Non-Executive Chairman, MGIC Investment Corporation
Age: 67
Director since: 2004

J. Kevin Fletcher
President and CEO, WEC Energy Group, Inc.
Age: 61
Director since: 2019

Thomas K. Lane
Vice Chairman, Energy Capital Partners, LLC
Age: 63
Director since: 2020

Danny L. Cunningham
Retired Partner and Chief Risk Officer, Deloitte & Touche LLP
Age: 64
Director since: 2018

Maria C. Green
Retired Senior Vice President and General Counsel, Ingersoll Rand, Inc.
Age: 67
Director since: 2019

Ulice Payne, Jr.
Managing Member, Addison-Clifton, LLC
Age: 64
Director since: 2003

William M. Farrow III
Chairman, CEO and owner, Winston and Wolfe LLC
Age: 64
Director since: 2018

Gale E. Klappa
Executive Chairman of the Board, WEC Energy Group, Inc.
Age: 69
Director since: 2003

Mary Ellen Stanek
Managing Director & Director of Asset Management, Baird Financial Group
Age: 63
Director since: 2012

All director nominees are independent with the exception of Gale E. Klappa and J. Kevin Fletcher, who are employees of the Company.

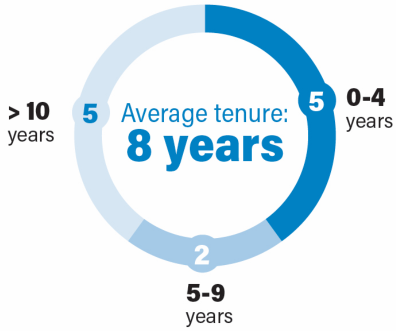
Barbara L. Bowles and Albert J. Budney, Jr. will complete their service as directors in 2020 and thus are not serving as nominees for election at the 2020 Annual Meeting of Stockholders. The Company sincerely thanks them for their many important contributions, leadership and years of dedicated service.

Snapshot of the 2020 Director Nominees

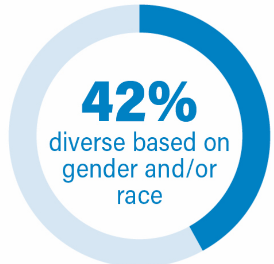
(based upon 12 members)

Our diverse and experienced slate of candidates possesses a wide range of skills, expertise and perspectives for enhanced and effective oversight.

Balanced Tenure



Nominee Diversity



- **3** are women
- **3** are African American
- No fewer than **3** women directors since 2012

Ongoing Board Refreshment

2018
- +2 Directors added

2019
- +2 Directors added
- -3 Directors completed service

2020
- +1 Director added
- -2 Directors will complete service

Core Competencies – Intermediate to Advanced Knowledge*

100% of directors:
- Audit/Financial Planning
- CEO/Senior Leadership
- Corporate Governance
- Financial Strategy/Investment
- Risk Management
- Strategic Planning
- Talent Management/Exec Comp

> 75% of directors:
- Environment/CSR Matters
- Government/Public Policy
- Knowledge of Company's Industry
- Regulated Industry Knowledge
- Technology/Security

*As reported by individual directors; see page P-13 for more information.

Governance Highlights

Accountability to our stockholders is critical to our long-term success. We routinely evaluate and enhance our governance practices to maintain alignment with evolving best practices. Highlights of our governance framework include the following:

Board Practices

- Ongoing Board refreshment
- Annual Board and committee evaluations
- Strategy and risk oversight discussion at every regular Board meeting
- Ongoing education programs by internal and third-party experts
- Stock ownership requirements for directors and executives
- Director service on public boards limited to 4 companies
- CEOs of public companies limited to director service at 2 public companies total

Independent Oversight

- 10 of 12 director nominees are independent
- Independent presiding director with specified duties
- Independent Audit, Compensation, Finance and Governance Committees
- Regular executive sessions of non-employee directors

Stockholder Rights

- Annual election of directors with majority voting standard for uncontested elections
- One-share, one-vote standard
- Proxy access provision in Bylaws
- Annual “say-on-pay” advisory vote
- Special meeting provision

Proposal 2

Advisory Vote to Approve Compensation of the Named Executive Officers

See **pages P32-47** for more information.

The Board recommends a vote **FOR** the advisory vote on Executive Compensation

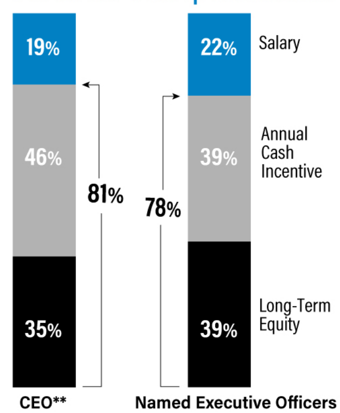
- Our compensation program focuses on key Company results (financial, safety, customer satisfaction, diversity) that are aligned with our strategic goals.
- A substantial portion of compensation is at risk and tied to overall Company performance.
- The compensation program has a long-term orientation aligned with stockholder interests.

Governance

The Board's Compensation Committee has a long track record of ensuring that total executive compensation incentivizes an appropriate balance between long-term strategies and short-term priorities. By design, a substantial portion of executive pay is "at-risk" and can only be earned by meeting key financial and operational goals. These goals are critical to delivering enduring value, and they reflect our focus on sustainable decision-making, taking into consideration financial, as well as environmental, social and governance ("ESG") objectives of our Company's strategy.

	Salary	Annual Incentive	Equity		
When Granted	Reviewed Annually				
Performance Type	Short-Term		Long-Term		
Award Type	Cash		Performance Units*	Stock Options	Restricted Stock
Performance Period	Ongoing	1 Year	3 Years	3 Year Vesting	1 or 3 Year Vesting
How Payout is Determined	Role; responsibilities; market data; committee judgment	Formulaic: • Financial (EPS, cash flow, utility net income) • Operational (safety, customer satisfaction, diversity)	Formulaic: • Total Shareholder Return (TSR) • Authorized Return on Equity (ROE)	Formulaic: Stock price performance	

At Risk Compensation



* Performance units are settled in cash.

** Based upon metrics for Kevin Fletcher.

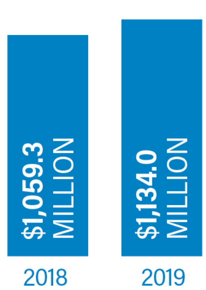
A broad overview of the Company's 2019 business, financial and operational performance highlights begins on page P-33. Performance highlights linked to our executives' variable compensation components are summarized below.

Compensation Links Pay to Performance

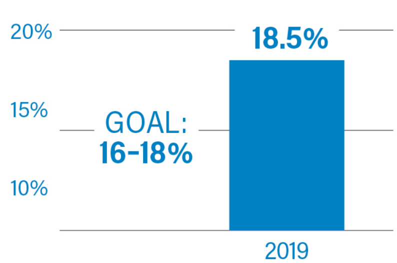
Financial

Throughout 2019, we maintained heavy focus on financial discipline and successfully executed our financial plan. The Company's strong financial performance with respect to earnings per share, cash flow and utility net income exceeded target levels.

Net Income



Funds from Operations/Debt



Diluted Earnings per Share

Environmental

- Our commitment to delivering a clean energy future is evident in our 5-year capital plan, which is comprised of multi-year projects tied to strategic objectives, including:
  - reshaping our generation fleet with significant investments in low- and no-carbon generation to help meet our carbon emission reduction goals;
  - upgrading our electric delivery infrastructure through innovative technology developments that help customers manage energy use and reduce environmental impacts; and
  - modernizing our natural gas infrastructure in the city of Chicago to improve safety and performance, which will also help us achieve our methane reduction goal.
- Our executive management team's successful execution of our financial plan through 2019 resulted in the opportunity to increase our updated 5-year capital plan (2020-2024) by approximately $900 million, which equates to approximately $15 billion of planned investments over the next five years – investments which include capital projects aimed at meeting our greenhouse gas reduction goals.
- Our ability to fund this substantial capital plan without issuing additional equity is directly linked with our ability to consistently deliver on our financial plan and meet our earnings per share and cash flow targets, both of which are key financial metrics underlying our short-term incentive compensation.

Social

- For more than 15 years, the Compensation Committee has taken a broad perspective on incentive compensation, linking important social metrics to our employees' performance goals.
- Beginning in 2004, incentive compensation has included refreshed annual targets tied to several key social aspects of our corporate strategy, including:
  - employee safety
  - employee and supplier diversity
  - customer satisfaction
- The Compensation Committee sets aggressive performance goals to emphasize a mindset of continuous improvement, which are used to add to or subtract from our executives' incentive compensation, thereby reinforcing focus on areas tied to our overall corporate strategy.
- We are very proud of our employees' dedication to delivering on these goals over the past year, examples of which are highlighted below.
  - Named as one of America's Best Employers for Diversity by Forbes Magazine.
  - Both of our Wisconsin electric utilities earned PA Consulting's Reliability One Awards for outstanding electric reliability performance in the Midwest.
  - Peoples Gas earned the Most Trusted Brand Award from Cogent Syndicated Utility Trusted Brand & Customer Engagement Study.
  - Nearly 22% overall improvement year-over-year in lost-time injuries.
  - Spent $282.6 million with certified minority-, women-, service-disabled- and veteran-owned businesses.
  - Received the Above and Beyond Award in recognition of providing employees who serve in a military capacity with additional non-mandated benefits to ease burdens associated with deployment.
  - Conducted enterprisewide workplace ethics survey to gauge employee perceptions of the company's actions, process and operating style.

Proposal 3

Ratification of Deloitte & Touche LLP as Independent Auditors for 2020

See **pages P62-64** for more information.

The Board recommends a vote **FOR** ratification of Deloitte & Touche LLP for 2020

- The Audit Committee annually evaluates the performance of Deloitte & Touche LLP and confirms that retention is in the best interests of the Company and its stockholders.
- Deloitte & Touche LLP is an independent firm with significant industry and financial reporting expertise, and fees that are appropriate for the size and scope of the Company.

Proxy Statement

This proxy statement is being furnished to stockholders beginning on or about March 25, 2020, in connection with the solicitation of proxies by the WEC Energy Group, Inc. ("WEC Energy Group" or the "Company") Board of Directors (the "Board") to be used at the 2020 Annual Meeting of Stockholders to be held on Wednesday, May 6, 2020 at 2:30 p.m. Eastern time, at the New York Stock Exchange, 11 Wall Street, New York, NY 10005, and at all adjournments or postponements of this meeting, for the purposes listed in the Notice of 2020 Annual Meeting of Stockholders.

PROPOSAL 1: ELECTION OF DIRECTORS – TERMS EXPIRING IN 2021

WEC Energy Group's bylaws require each director to be elected annually to hold office for a one-year term. This is an uncontested election; therefore, our majority vote standard for election of directors will apply. Under this standard, the director nominees will be elected only if the number of votes cast favoring such nominee's election exceeds the number of votes cast opposing that nominee's election, as long as a quorum is present. Therefore, presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect in the election of directors. Proxies may not be voted for more than 12 persons in the election of directors.

Acting on the recommendation of the Corporate Governance Committee, the Board's nominees for election are:

Patricia W. Chadwick	**Maria C. Green**
Curt S. Culver	**Gale E. Klappa**
Danny L. Cunningham	**Henry W. Knueppel**
William M. Farrow III	**Thomas K. Lane**
Thomas J. Fischer	**Ulice Payne, Jr.**
J. Kevin Fletcher	**Mary Ellen Stanek**

- Each nominee has consented to being nominated and to serve if elected. In the unlikely event that any nominee becomes unable to serve for any reason, the proxies will be voted for a substitute nominee selected by the Board upon the recommendation of the Corporate Governance Committee of the Board.
- Factored into the Board's ongoing succession planning have been discussions related to the fact that a number of directors are expected to complete their service on the Board in 2020 and 2021, which prompted the Board to actively search for director candidates with specific skills in mind. Two new directors were subsequently elected as part of that succession plan: Maria C. Green effective October 1, 2019, and Thomas K. Lane effective January 1, 2020. The Board elected Ms. Green, in part, due to her having served in the role of general counsel and corporate secretary for several public companies where she gained extensive experience in strategic planning, acquisitions, investor relations and corporate sustainability matters. The Board elected Mr. Lane due to, among other things, his strong financial expertise focused within the energy sector, including investment and growth strategies related to power generation and renewable projects.
- During 2019, Director Fischer reached retirement age. Following discussion, the Corporate Governance Committee recommended that the Board nominate Mr. Fischer for one more year of service. The Corporate Governance Committee believes that this extension would provide the Board additional continuity as new members join the Board and, in particular, would assist in the transition of Mr. Fischer's responsibilities as Audit Committee Chair to another independent director in May 2020.
- Directors Barbara L. Bowles and Albert J. Budney, Jr. will complete their service as directors at the 2020 Annual Meeting of Stockholders, and thus will not serve as nominees for re-election. The Company sincerely thanks them for their many important contributions, leadership and years of dedicated service.

In selecting the 2020 director nominees, the Corporate Governance Committee and the Board determined that the candidates collectively embody a breadth of characteristics germane to executing the duties of the Board, including the general criteria, qualifications, diversity, and independence reported below.

The Board of Directors recommends that you vote "FOR" all of the director nominees.

DIRECTOR NOMINATION AND EVALUATION PROCESS

Nomination Process

Candidates for director nomination may be proposed in a number of ways, including by stockholders, the Corporate Governance Committee, and other members of the Board. The Corporate Governance Committee may pay a third party to identify qualified candidates; however, no such firm was engaged with respect to the nominees listed in this proxy statement.

The Corporate Governance Committee will consider director candidates recommended by stockholders provided that the stockholders submitting recommendations comply with requirements and procedures set forth in our bylaws. Stockholders may also recommend director candidates by following the procedures outlined on P-71. No formal stockholder nominations or recommendations for director candidates were received in connection with the 2020 Annual Meeting of Stockholders.

We recently added two new independent Directors to our Board. Ms. Green and Mr. Lane were recommended by the Corporate Governance Committee for election and were elected to the Board effective October 1, 2019 and January 1, 2020, respectively. Ms. Green and Mr. Lane were initially recommended for consideration by the Corporate Governance Committee Chair and the Chairman, respectively, following which the Corporate Governance Committee undertook the evaluation process described immediately below.

Evaluation Process

The Corporate Governance Committee evaluates director candidates, including those proposed by stockholders, through the lens of its ongoing director succession planning process, whereby the Corporate Governance Committee ensures that the Board is composed of directors who embody certain minimum criteria, and who, as a group, have the skills and experiences to effectively oversee management's strategy for operating in a complex industry while performing their fiduciary obligations.

When a person is initially identified as a potential candidate, the Corporate Governance Committee may collect and review publicly available information regarding the person to assess whether that person should be considered further. If the Corporate Governance Committee determines that the candidate warrants further consideration, the chair or another member of the Board of Directors contacts the prospective director. Generally, if the individual expresses a willingness to be considered and to serve on the Board, the Corporate Governance Committee requests additional information from the candidate, reviews his or her accomplishments and qualifications, and conducts one or more interviews with the candidate. In certain instances, Corporate Governance Committee members may contact one or more references provided by the candidate, or may contact other members of the business community or other persons who may have greater firsthand knowledge of the candidate. The Committee will utilize third parties if and as needed to assist with these activities. As a final step, the candidate interviews with members of the Board, following which the Corporate Governance Committee will make a recommendation regarding nomination to the Board for the Board's discussion and final determination.

Director Term Limits

The Board does not believe it is appropriate or necessary to limit the number of terms a director may serve. The Board values the participation and insight of directors who have developed an increased understanding of the governance of the Company and the specific issues it faces doing business in a complex, regulated industry, as well as those directors who bring fresh and varied perspectives, resulting in a Board with a balanced tenure.

DIRECTOR QUALIFICATIONS

The Corporate Governance Committee and the Board evaluate director nominees in light of the Board's current members, with the goal of recommending nominees with diverse backgrounds and experiences who, together with the current directors, can best perpetuate the success of WEC Energy Group's business and represent stockholder interests. By adhering to a philosophy whereby director nominees are evaluated on the basis of certain minimum qualifications, Board diversity, and core competencies, the Board is able to attract director candidates that bring a broad range of perspectives and experiences, and who will effectively contribute to and complement the Board.

Key factors considered in recommending the 2020 director nominees are listed below:

- To be eligible for consideration, the Board believes that any proposed candidate must demonstrate certain minimum qualifications, which the Corporate Governance Committee reviews annually:

- Proven integrity
- Ability to objectively appraise problems
- Relevant technological, political, economic, or social/cultural experience
- Familiarity with national and international issues affecting the Company's business
- Mature and independent judgment
- Ability to evaluate strategic options and risks
- Social consciousness
- Contribution to the Board's desired collective diversity
- Vision and imagination
- Sound business experience/acumen
- Achievement of prominence in career
- Availability to serve for five years before reaching the directors' retirement age of 72 (in the case of new directors)

- While the Corporate Governance Committee does not have a specific policy with regard to the consideration of diversity in identifying director nominees, it strives to cast a wide net and recommend candidates who each bring a unique perspective to the Board in order to contribute to a collective diversity - diversity of knowledge, skills, experiences, thought, gender, race/ethnicity, tenure and maturity.

2018 — 2020 BOARD OF DIRECTORS — 12 NOMINEES — May 2021

4 Independent directors added

3 Women

3 African American

10 Independent

8 years of average tenure

3 Directors expected to complete service

- Directors' qualifications are also evaluated in the context of the Board's strategic initiatives, financial and operational performance objectives, and material risks. With that in mind, the Corporate Governance Committee and Board have determined through the Board succession planning process that the Board's composition should consist of candidates that collectively possess a specific set of core competencies as listed in the Proxy Summary on page P-8, in order to effectively carry out its oversight function.

  During the fourth quarter of 2019, the Corporate Governance Committee and Board evaluated and affirmed this set of competencies. Each director then performed a self-assessment of his/her level of knowledge in each skill area using the following 3-point scale: "1" Limited knowledge (e.g., no direct experience, primary exposure comes from Board or Committee reports); "2" Intermediate knowledge (e.g., general managerial/oversight experience or broad exposure as a Board or Committee member); "3" Advanced knowledge (e.g., direct experience; subject matter expert). A summary of the Board's level of knowledge with respect to each of the core competencies was included in the Proxy Summary on page P-8.

DIRECTOR INDEPENDENCE

The guidelines the Board uses in determining director independence are located in Appendix A of the Corporate Governance Guidelines ("Guidelines"), which are available on the Corporate Governance section of the Company's website at **www.wecenergygroup.com/govern/governance.htm.** These Guidelines provide that the Board should consist of at least a two-thirds majority of independent directors. The independence standards found in our Guidelines are not only in compliance with the listing standards of the New York Stock Exchange ("NYSE"), but are actually more stringent than the NYSE rules. In order to be deemed independent, the individual must have no material relationship with the Company that would interfere with the exercise of good judgment in carrying out his or her responsibilities as a director.

Prior to initial and annual election, all directors complete a detailed questionnaire that elicits information that is used to ensure compliance with the Board's and the NYSE's standards of independence. The Corporate Governance Committee also reviews potential conflicts of interest, including related-party transactions, interlocking directorships, and substantial business, civic and/or social relationships with other members of the Board that could impair the prospective Board member's ability to act independently from the other Board members and management. The Board also considers whether a director's immediate family members meet the independence criteria outlined in the Guidelines, as well as whether a director has certain relationships with WEC Energy Group's affiliates, when determining the director's independence.

The Board has affirmatively determined that Directors Bowles, Budney, Chadwick, Culver, Cunningham, Farrow, Fischer, Green, Knueppel, Lane, Payne and Stanek are independent. Directors Klappa and Fletcher are not independent due to their employment with the Company. Allen Leverett resigned from the Board in July 2019; he was also not independent due to his employment with the Company.

Director Stanek. Since 2005, WEC Energy Group has engaged Baird Financial Group primarily to provide consulting services for investments held in the Company's various benefit plan trusts. Baird also provides certain related administrative services. The Board reviewed the terms of this engagement, including the approximately $729,800 in fees paid to Baird in 2019 (which are less than one-tenth of 1% of Baird's total revenue), and Ms. Stanek's position at Baird, and concluded that such engagement is not material and did not impact Ms. Stanek's independence. Ms. Stanek is not involved with and does not consult on the contract with or recommendations made by Baird and receives no direct financial benefit from these services. WEC Energy Group management evaluates Baird's services against market standards for overall quality and value on a regular basis. Neither the Board nor Ms. Stanek plays a role in the retention of Baird for these services or any related negotiation of commercial terms. In addition, WEC Energy Group's pension trusts and other benefit accounts do not hold any investments in Baird funds.

2020 DIRECTOR NOMINEES FOR ELECTION

The following 12 individuals have been nominated for election to the Board of Directors at the WEC Energy Group Annual Meeting. Biographical information for each director nominee is set forth below. Ages are as of January 16, 2020, the date each person was designated as a nominee of the Board for election at the Meeting.

Patricia W. Chadwick

Age: 71

Director Since: 2006

Board Committees: Audit and Oversight; Finance

- Ravengate Partners, LLC - President since 1999. Ravengate Partners, LLC provides businesses and not-for-profit institutions with advice about the financial markets, business management, and global economics.
- Director of Amica Mutual Insurance Company since 1992; Director of Voya Mutual Funds since 2006; Director of The Royce Funds since 2009.
- Director of WEC Energy Group since 2006; Director of Wisconsin Electric Power Company (subsidiary of WEC) from 2006 to June 2015.

Core competencies, qualifications and experience

Ms. Chadwick, who is a Chartered Financial Analyst, brings to our Board extensive investment management expertise gained from more than 35 years of experience as an investment professional, portfolio manager or principal. As founder and President of Ravengate Partners, a firm that has been educating and advising businesses and not-for-profit institutions about the financial markets and global macro economy since 1999, Ms. Chadwick's insights into the investment industry's perspectives is valuable to the Board's financial planning and strategy discussions. Her knowledge of capital markets is particularly helpful to WEC Energy Group and its subsidiaries, which operate in a capital intensive industry and consistently access the capital markets. Ms. Chadwick serves as a director and committee member on the boards of two registered investment companies, Voya Mutual Funds and The Royce Funds, through which she has developed extensive governance experience with respect to audit oversight and financial reporting. As a board director and Finance Committee member of Amica Mutual Insurance Company, she has gained a deep understanding of insurance risk management and oversight matters, which is valuable experience that she applies to her role on the WEC Energy Group Finance Committee and Audit and Oversight Committee.

Curt S. Culver

Age: 67

Director Since: 2004

Board Committees: Corporate Governance; Executive; Finance (Chair)

- MGIC Investment Corporation - Non-Executive Chairman of the Board since March 2015. Served as Chairman from 2005 to February 2015, CEO from 2000 to February 2015, and President from 1999 to 2006. MGIC Investment Corporation is the parent of Mortgage Guaranty Insurance Corporation.
- Mortgage Guaranty Insurance Corporation - Non-Executive Chairman of the Board since March 2015. Served as Chairman from 2005 to February 2015, CEO from 1999 to February 2015, and President from 1996 to 2006. Mortgage Guaranty Insurance Corporation is a private mortgage insurance company.
- Director of MGIC Investment Corporation since 1999.
- Director of WEC Energy Group since 2004; Director of Wisconsin Electric Power Company (subsidiary of WEC) from 2004 to June 2015.

Core competencies, qualifications and experience

Having served for 15 years as the CEO of Mortgage Guaranty Insurance Corporation and its parent company, MGIC Investment Corporation, Mr. Culver brings to our Board a strong working knowledge of the strategic, economic and public policy issues facing a large, regulated, publicly-held company headquartered in Milwaukee, Wisconsin. His expertise in risk management and oversight is particularly valuable in his service as chair of the Finance Committee, while his insurance industry experience puts him in a position to lead the Committee's evaluation of the Company's overall risk management program. Mr. Culver's broad corporate governance experience, developed from his extensive past and present service on the MGIC boards, as well as those of several highly-visible Milwaukee-area non-profit entities and two private for-profit organizations, is of great value to the Board as it carries out its oversight responsibilities.

Danny L. Cunningham

Age: 64

Director Since: 2018

Board Committee: Audit and Oversight

- Deloitte & Touche LLP - Retired Partner and Chief Risk Officer. Served as Partner from 2002 to 2015 and as Chief Risk Officer from 2012 to 2015. Deloitte & Touche LLP is an industry-leading audit, consulting, tax and advisory firm.
- Director of Enerpac Tool Group Corp. (formerly known as Actuant Corporation) since 2016.
- Director of WEC Energy Group since January 2018.

Core competencies, qualifications and experience

Mr. Cunningham brings to our Board more than 30 years of experience serving public audit clients in a broad array of industries, including manufacturing, printing, process, software and financial services, as well as a deep understanding of the business, economic, compliance and governmental environment in which the Company and many of the Company's major customers operate. Mr. Cunningham's strong expertise in financial reporting, internal controls and audit functions are of great value to the Board as it fulfills its responsibility for oversight of the Company's accurate preparation of financial statements and disclosures, and compliance with legal and regulatory requirements. Having served as chief risk officer at Deloitte & Touche LLP, he gained keen insights into the complexities of risk management, through which he applies his expertise in assessing the effectiveness of the Company's practices and policies to mitigate enterprise-wide risks. Mr. Cunningham's multi-national experience brings the added diversity of a global perspective to the Board as it evaluates its strategic objectives, while his past service on the boards of several major Milwaukee-area not-for-profit organizations equips him to contribute thoughtful insights on issues impacting the city's culture, workforce and economic vitality.

William M. Farrow III

Age: 64

Director Since: 2018

Board Committees: Compensation; Corporate Governance; Finance

- Winston and Wolfe, LLC - Chairman and Chief Executive Officer since 2010. Winston and Wolfe LLC is a privately held technology development and advisory company.
- Urban Partnership Bank - Served as President and CEO from August 2010 until retirement in January 2018. UPB provides financial services in moderate income communities located in Chicago, Detroit and Cleveland.
- Director of CBOE Global Markets Inc. since 2016; Director of Echo Global Logistics Inc. since 2017.
- Director of WEC Energy Group since January 2018.

Core competencies, qualifications and experience

Mr. Farrow brings to our Board 40 years of senior leadership experience in managing business operations, technology development, enterprise risk and strategy. His extensive professional experience in the banking and financial markets, accompanied by knowledge acquired from his service on the boards of CBOE Global Markets and the Federal Reserve Bank of Chicago, enables him to add significant value to the Board's oversight of the Company's financial management strategy. His first-hand experience and perspectives in addressing advances in information technology, as well as the experience he has gained as a current board member on the Audit Committee for both CBOE Global Markets and Echo Global Logistics, is particularly valuable to the Board as WEC Energy Group companies address complex risks, including those associated with protecting operating systems and assets against physical and cyber threats. Having spent his career in Chicago, Mr. Farrow is also able to provide the Board with economic and public policy insight as it relates to conducting business in Chicago, which is further enhanced by the strong relationships he has developed with key leaders while serving on the boards of several highly-visible Chicago-area private, not-for-profit and community organizations. This is especially important given the sizable, long-term construction project that is underway by the Company's Illinois utility subsidiary to modernize the natural gas infrastructure in the city of Chicago, which requires ongoing collaboration with city and state government officials and regulatory agencies.

Thomas J. Fischer

Age: 72

Director Since: 2005

Board Committees: Audit and Oversight (Chair); Compensation; Executive

- Fischer Financial Consulting LLC - Principal since 2002. Fischer Financial Consulting LLC provides consulting on corporate financial, accounting, and governance matters.
- Director of Enerpac Tool Group Corp. (formerly known as Actuant Corporation) from 2003 to January 2017; Director of Badger Meter, Inc. since 2003; Director of Regal Beloit Corporation since 2004.
- Director of WEC Energy Group since 2005; Director of Wisconsin Electric Power Company (subsidiary of WEC) from 2005 to June 2015.

Core competencies, qualifications and experience

Mr. Fischer provides our Board with significant expertise in accounting and auditing matters, including financial reporting and regulatory compliance, risk assessment and management and corporate governance issues. His experience in these areas comes from 33 years of work at Arthur Andersen, a large, international independent accounting firm, where for 22 years, he served as a partner responsible for services provided to large, complex public and private companies and several public utility audits. Since 2002, Mr. Fischer has provided consulting services to companies in the areas of corporate financial, accounting, and governance matters. Mr. Fischer, who is a Certified Public Accountant, brings extensive knowledge and experience to his responsibilities as WEC Energy Group's Audit and Oversight Committee Chair as a result of his past and present service on several other audit committees at public companies based in Wisconsin. His significant expertise is invaluable to WEC Energy Group's Board as it navigates a complex and evolving regulatory compliance landscape.

J. Kevin Fletcher

Age: 61

Director Since: 2019

- WEC Energy Group - CEO since February 2019; President since October 2018.
- Wisconsin Electric Power Company (subsidiary of WEC Energy Group) - Chairman of the Board and Chief Executive Officer since February 2019; President from May 2016 to November 2018; Executive Vice President-Customer Service and Operations from June 2015 to May 2016; Senior Vice President-Customer Operations from October 2011 to June 2015.
- Director of WEC Energy Group since February 2019; Director of Wisconsin Electric Power Company since June 2015.
- Mr. Fletcher also serves as an executive officer and/or director of several other major subsidiaries of WEC Energy Group.

Core competencies, qualifications and experience

Mr. Fletcher has more than 40 years of experience working in the public utility industry, including 25 years at a senior leadership level. Prior to joining the Company in 2011, Mr. Fletcher served as Vice President-Community and Economic Development at Georgia Power, the largest subsidiary of The Southern Company, a public utility holding company primarily serving the southeastern United States. During his 34-year career with Southern Co., 16 of those years as an officer, Mr. Fletcher held leadership positions in operations, customer service, marketing and sales. When he first joined WEC Energy Group, he served as Senior Vice President-Customer Operations of its utility subsidiaries, with overall responsibility for the planning, engineering, construction, operation and maintenance of the Company’s electric and natural gas distribution systems in Wisconsin and Michigan’s Upper Peninsula. In May 2016, he was appointed to serve as President of the Company’s Wisconsin utility subsidiaries, and assumed responsibilities as President of the Company’s Minnesota and Michigan utility subsidiaries in September 2018. In October 2018, Mr. Fletcher was appointed President of WEC Energy Group, followed by his appointment to CEO in February 2019, whereby he has financial and operational responsibility for all of the Company's utility subsidiaries. He also has held responsibility for the supplier diversity initiative across all of the Company’s utilities. With his extensive experience in business operations, customer service and senior leadership of publicly regulated utilities, Mr. Fletcher contributes substantive insight into the Company’s industry and customers, to the management team and to the Board.

Maria C. Green

Age: 67

Director Since: 2019

Board Committee: Corporate Governance

- Ingersoll Rand Inc. - Retired Senior Vice President and General Counsel, having served in those roles from 2015 to June 2019. Ingersoll Rand Inc. is a diversified industrial manufacturer with market-leading brands serving customers in global commercial, industrial and residential markets.
- Illinois Tool Works Inc. - Senior Vice President and General Counsel, 2012 to 2015. Illinois Tool Works Inc. produces engineered fasteners and components, equipment and consumable systems, and specialty products.
- Director of Tennant Company since May 2019; Director of Littelfuse since February 2020.
- Director of WEC Energy Group since October 2019.

Core competencies, qualifications and experience

Ms. Green brings to our Board senior leadership experience accumulated during her 35-year career in law and business, including extensive public company experience in strategic planning, acquisitions, enterprise risk management and shareholder relations. She has substantial experience with respect to corporate sustainability matters, including oversight responsibility for environmental compliance and corporate responsibility reporting, as well as engagement with investors on these matters. Having served in the role of corporate secretary for several public companies, Ms. Green's deep corporate governance experience is of tremendous value to the Board as it carries out its evolving oversight responsibilities. Ms. Green also contributes valuable insights into the economic, educational and social matters impacting the greater Chicago community, where the Company has two utility subsidiaries. In particular, these insights come from having served for 18 years at Illinois Tool Works, a Fortune 200 global diversified manufacturing company headquartered in the northern suburbs of Chicago, and as a member (and past chairman) of the Chicago Urban League executive committee.

Gale E. Klappa

Age: 69

Director Since: 2003

Board Committee: Executive (Chair)

- WEC Energy Group - Executive Chairman since February 2019; Chairman of the Board and CEO from 2004 to May 2016 and October 2017 to February 2019; Non-Executive Chairman of the Board from May 2016 to October 2017; President from 2003 to August 2013.
- Wisconsin Electric Power Company (subsidiary of WEC) - Chairman of the Board from 2004 to May 2016 and January 2018 to February 2019; CEO from 2003 to May 2016 and January 2018 to February 2019; President from 2003 to June 2015.
- Director of Associated Banc-Corp since 2016 and Director of Badger Meter, Inc. since 2010, both headquartered in Wisconsin; Director of Joy Global Inc. from 2006 to 2017.
- Director of WEC Energy Group since 2003; Director of Wisconsin Electric Power Company (subsidiary of WEC Energy Group) from 2003 to May 2016 and January 2018 to present.
- Mr. Klappa also serves as a director of several other major subsidiaries of WEC Energy Group.

Core competencies, qualifications and experience

Mr. Klappa has more than 40 years of experience working in the public utility industry, including more than 25 at a senior executive level. He retired as the Company's CEO in May 2016, at which time he assumed the role of Non-Executive Chairman of the Board. Prior to joining the Company in 2003, Mr. Klappa served in various executive leadership roles at The Southern Company, a public utility holding company primarily serving the southeastern United States. Under his leadership, WEC Energy Group successfully completed its 2015 acquisition of Integrys Energy Group, which nearly doubled the employee and customer population, and increased the Company's geographic footprint to four states. With his extensive experience in the business operations and C-suite leadership of publicly regulated utilities, his service as a board member for several other public companies, and his contributions to significant economic development initiatives in southeastern Wisconsin, Mr. Klappa has led the Board with a deep understanding of the financial investment decisions and public policy issues facing large public companies. In October 2017, after the Company's then-CEO suffered a stroke, the Board appointed Mr. Klappa to serve in the role of CEO, while also having him retain his role of Board Chairman. With the appointment of Mr. Fletcher as CEO effective February 2019, Mr. Klappa now serves as Executive Chairman. Mr. Klappa's deep knowledge of the Company's industry, customers, stockholders and management team is of great value to the Board.

Henry W. Knueppel

Age: 71

Director Since: 2013

Board Committees: Audit and Oversight; Corporate Governance

- Regal Beloit Corporation - Retired Chairman of the Board and CEO. Served as CEO from 2005 to 2011 and as Chairman from 2006 to 2011. Regal Beloit Corporation is a leading manufacturer of electric motors, mechanical and electrical motion controls, and power generation products.
- Harsco Corporation - Independent, Non-Executive Chairman of the Board from September 2012 until September 2014. Served as Interim Chairman and CEO from February 2012 to September 2012 and Director from 2008 to April 2016. Harsco Corporation is a diversified, worldwide industrial services company.
- Director of Regal Beloit Corporation since 1987; Director of Snap-on Incorporated since 2011.
- Director of WEC Energy Group since 2013; Director of Wisconsin Electric Power Company (subsidiary of WEC Energy Group) from 2013 to June 2015.

Core competencies, qualifications and experience

With more than 30 years of senior management experience at Regal Beloit Corporation, including five years as the combined Chairman of the Board and CEO, Mr. Knueppel brings extensive executive management experience to our Board, including strategic planning, financial strategy and talent management perspective. Regal Beloit Corporation is a Wisconsin-based manufacturer of electrical motors, mechanical and electrical motion controls, and power generation products, which gives Mr. Knueppel knowledge of key equipment used in the Company's operations. His current and former service on the boards of several large, publicly traded industrial companies provides the Board with perspective on operational matters the Company faces in serving its large commercial and industrial customers. Mr. Knueppel also brings to the Board a wide range of knowledge and experience in corporate governance, having served for more than 30 years as a director for several publicly traded companies, including his role as the independent, non-executive chairman of the board of Harsco Corporation.

Thomas K. Lane

Age: 63

Director Since: 2020

Board Committee: Finance

- Energy Capital Partners, LLC - Vice Chairman since 2016; Partner from 2005 to 2016. Energy Capital Partners is a private equity firm that focuses on investing in power generation, midstream gas, electric transmission and energy and environmental services sectors of North America's energy infrastructure.
- Director of Summit Midstream Partners, LP since 2009; Director of USD Partners, LP since 2014.
- Director of WEC Energy Group since January 2020.

Core competencies, qualifications and experience

Mr. Lane brings to our Board more than 30 years of broad financial experience focused within the energy sector. His experience in this area includes 17 years in the Investment Banking Division at Goldman Sachs where Mr. Lane held senior-level coverage responsibility for electric and gas utilities, independent power companies and midstream energy companies throughout the United States, which provides him with a deep understanding of the complexities inherent to delivering strong financial performance in a regulated industry. For the past 15 years, Mr. Lane has served as a senior executive of Energy Capital Partners, where he has held responsibility for establishing and executing the firm’s investment strategies, which include projects encompassing power generation and renewables, as well as midstream and environmental infrastructure. This experience enables him to add significant value to the Board’s oversight of the Company’s long-term growth strategy, as does his substantial experience planning and executing merger and acquisition strategies. Having testified before the House Energy Subcommittee on energy related matters, Mr. Lane also brings to the Board an understanding of the formulation of energy policy at the Federal government level. As a member of the WEC Energy Group Finance Committee, Mr. Lane’s expertise in financial management strategy serves as valuable input to the Company’s execution of its financial plan.

Ulice Payne, Jr.

Age: 64

Director Since: 2003

Board Committees: Compensation (Chair); Executive; Finance

- Addison-Clifton, LLC - Managing Member since 2004. Addison-Clifton, LLC provides global trade compliance advisory services.
- Director of Foot Locker, Inc. since December 2016; Director of Manpower Group since 2007; Trustee of The Northwestern Mutual Life Insurance Company from 2005 to 2018.
- Director of WEC Energy Group since 2003; Director of Wisconsin Electric Power Company (subsidiary of WEC Energy Group) from 2003 to June 2015.

Core competencies, qualifications and experience

Mr. Payne brings to our Board strong senior leadership and public service experience within the greater Milwaukee community and State of Wisconsin, having previously served in roles that included the Securities Commissioner for the State of Wisconsin, managing partner of the Milwaukee office of the law firm Foley & Lardner LLP and president and CEO of the Milwaukee Brewers Baseball Club, Inc. In addition, Mr. Payne is involved in numerous Milwaukee-area non-profit entities, making him well-positioned to provide the Board with perspective on the economic and social issues affecting the greater Milwaukee area, as well as a broad spectrum of the Company's customers. As founder and President of Addison-Clifton, LLC, which provides global trade compliance consulting, Mr. Payne understands the importance of providing clients with exceptional customer service, a focus that is critical to execution of WEC Energy Group's strategic initiatives. Mr. Payne also contributes valuable financial and risk assessment insights gained throughout his career, including from his past and present service on the boards of several public companies, for which he has served as a member of the Audit, Finance, and/or Corporate Governance committees.

Mary Ellen Stanek

Age: 63

Director Since: 2012

Board Committee: Finance

- Baird Financial Group - Managing Director and Director of Asset Management since 2000. Baird Financial Group provides wealth management, capital markets, private equity, and asset management services to clients worldwide.
- Baird Advisors - Chief Investment Officer since 2000. Baird Advisors is an institutional fixed income investment advisor.
- Baird Funds, Inc. - President since 2000. Baird Funds is a publicly registered investment company.
- Trustee of The Northwestern Mutual Life Insurance Company since 2009.
- Director of Journal Media Group, Inc. and its predecessor companies from 2002 to April 2016.
- Director of WEC Energy Group since 2012; Director of Wisconsin Electric Power Company (subsidiary of WEC Energy Group) from 2012 to June 2015.

Core competencies, qualifications and experience

Ms. Stanek, who is a Chartered Financial Analyst, brings to our Board extensive financial and investment strategy expertise, resulting from over 40 years of investment management experience. As Managing Director and Director of Asset Management of Baird Financial Group, a position she has held since 2000, Ms. Stanek's expertise in fixed income investments provides the Board and management with invaluable financial strategy insight relative to WEC Energy Group and its subsidiaries, which customarily issue debt securities as a means of raising capital. As a member of the WEC Energy Group Finance Committee, she also offers valuable perspective on insurance risk matters, having served for 15 years as a director of West Bend Mutual Insurance Company. In addition to her recognition as a prominent business leader in Milwaukee's financial community, Ms. Stanek has dedicated significant time to serving on the boards of a large number of Milwaukee-area non-profit organizations, through which she has developed strong relationships with key community leaders and stakeholders. From these experiences, she brings the Board insightful perspectives on issues impacting the culture and viability of today’s workforce.

Governance

Accountability to stockholders is critical to the Company's long-term success. We have mechanisms in place to ensure that management and the Board hear, understand, and consider the issues that matter most to our stockholders. This ongoing engagement provides valuable insight into how our stockholders view the Company's practices and policies, shapes the processes used to evaluate goals and expectations, and identifies emerging issues that may affect our corporate governance and compensation practices.

STOCKHOLDER ENGAGEMENT

Under the Board's oversight, Company leadership, including the Executive Chairman, regularly engages with investors to discuss business results, strategic direction and corporate governance and compensation practices through a year-round stockholder engagement program, which provides valuable feedback to the Board about its governance practices.

Opportunities for investors to interact with the Company took many forms during 2019:

- Proactively communicated with stockholders representing more than 40% of the Company's outstanding common stock about issues of interest, including corporate strategy, financial and operational performance, corporate governance, executive compensation and matters related to environmental, social and governance ("ESG") risks and opportunities. Key take-aways are reported to the Board and are taken into consideration when reviewing and modifying overall governance practices, policies and disclosures.
- Investor presentations conducted at analyst meetings and investor conferences across the U.S., Canada, Europe, Asia and Australia.
- Access to webcasts of the Annual Meeting of Stockholders and quarterly earnings conference calls, and to timely disclosures including the annual report, news releases, filings with the Securities and Exchange Commission ("SEC") and other significant corporate publications on our Website.
- With respect to the Annual Meeting of Stockholders, opportunity to attend and voice opinions, submit stockholder proposals and director nominees, formally nominate director candidates using proxy access as permitted under our bylaws, elect directors by majority vote in uncontested elections, and vote on our executive compensation program ("say-on-pay").
- Process for stockholders to directly correspond with individual directors via the Corporate Secretary (see page P-29).

Below is a summary of our yearly corporate governance practices related to stockholder engagement on executive compensation matters and ESG topics.

SUMMER	FALL	WINTER	SPRING
• Review results from the Annual Meeting of Stockholders • Engage with stockholders to discuss voting results • Conduct annual assessment of corporate governance and executive compensation practices to identify potential areas of focus • Discuss voting results, investor feedback, and annual assessment with Board	• Meet with investors to discuss executive compensation practices and ESG topics • Consider enhancements to our practices and disclosures based on investor feedback • Share investor feedback and recommendations for changes in practices and disclosures with Board committees and full Board	• Continue meeting with investors to discuss executive compensation practices and ESG topics • Board approves, as needed, any changes or enhancements to practices and disclosures • Develop disclosures for the proxy statement	• Publish annual disclosure documents (Form 10-K, Annual Report, Proxy Statement) • Hold Annual Meeting of Stockholders

CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance Guidelines

For more than 20 years, WEC Energy Group has maintained a formal set of Corporate Governance Guidelines, which have been modified over the years in response to evolving governance best practices and stockholder expectations. To maintain effective guidelines, the Corporate Governance Committee annually reviews the Company's governance practices, taking into consideration input from stockholders, best practices, industry surveys, rating agency reports, and benchmarking studies, as well as governance guidelines published by institutional investors and proxy advisors.

Key governance practices exercised by the Board, which align with the recommendations contained in the Commonsense Principals 2.0 of Corporate Governance, a governance framework that was first published in 2016 by a group of business and investment leaders, include:

GOVERNANCE PRINCIPLES		WEC ENERGY GROUP PRACTICES
Board composition	✓	• 10 out of 12 independent directors (based on director nominees) • Diverse representation of skills and competencies, as well as professional and personal attributes • Comprehensive, ongoing Board succession planning process • Regular Board refreshment and balanced mix of tenure
Board leadership	✓	• Separate CEO/Chair roles • Presiding independent director with defined duties • Chairman active in stockholder engagement and communications
Board governance practices	✓	• Expectation that directors will dedicate sufficient time to perform duties; limit on number of outside public company directorships • Annual performance evaluations of Executive Chairman, CEO, Board and Board committees • 100% independent Audit, Compensation, Finance and Governance Committees • Board participation in critical activities, including agenda setting for Board meetings and strategic planning • Complete access for Board members to management and outside advisors • Stock ownership requirements for directors and executives • Regular executive sessions of independent directors at Board and committee meetings • Expectation that directors participate in the annual meeting with stockholders
Stockholder voting rights	✓	• Annual election of directors with majority voting standard • One-share, one-vote standard (dual class voting is not practiced) • Proxy access provision • Annual "say-on-pay" advisory vote • Special meeting provision
Executive compensation	✓	• Aligned with long-term performance and business strategy • Utilizes short- and long-term metrics, cash, and equity components; substantial portion is at risk • Public disclosure of peer groups, benchmarks, and performance measurements • Independent compensation consultant • Clawback policies for cash and equity • Prohibition of hedging and pledging of Company securities

Business Conduct and Ethics

WEC Energy Group's Code of Business Conduct ("Code") is the foundation of the Company's Ethics and Compliance program, as it sets the standards for creating and sustaining a culture of ethics and integrity. The Compliance Officer oversees the management and operations of the program, for which he provides regular update reports to the Board's Audit and Oversight Committee. All WEC Energy Group directors, executive officers and employees, including the principal executive, financial and accounting officers, have a responsibility to comply with the Code, to seek advice in doubtful situations and to report suspected violations.

The Code addresses expectations for Company culture, including among other things: non-retaliation for raising concerns; safety; diversity and inclusion; conflicts of interest; confidentiality; fair dealing; protection and proper use of Company resources, assets and information; and compliance with laws, rules and regulations (including insider trading laws). For more information, see the Governance section of our website: www.wecenergygroup.com/govern/codeofbusinessconduct.pdf

The Company has several ways individuals can report concerns and raise questions concerning the Code and other Company policies. As one reporting mechanism, the Company has contracted with an independent service so that individuals can confidentially and anonymously report suspected violations of the Code or other concerns, including those regarding accounting, internal accounting controls or auditing matters. **The Company has not provided any waiver to the Code for any director, executive officer or other employee.**

Related Party Transactions/Conflicts of Interest

The Code addresses, among other things, how to identify and report potential conflicts of interest, including those from related-party transactions. The Code lists the following as examples of potentially problematic situations: (1) family members who are a supplier, contractor or customer of the Company or work for one; (2) obtaining any financial interest in or participating in any business relationship with any company, individual or concern doing business with WEC Energy Group or any of its subsidiaries that might influence the individual's decisions or job performance; (3) participating in any joint venture, partnership or other business relationship with WEC Energy Group or any of its subsidiaries; and (4) serving as an officer or member of the board of any substantial, outside for-profit organization.

Because the Board is mindful of the expectation of its directors to devote the time necessary to carefully fulfill their fiduciary duties, the Corporate Governance Guidelines contain additional requirements for directors seeking to join other boards. For example, all directors must notify the Company's Corporate Secretary before accepting a nomination for a position on the board of another public company and the CEO must obtain the approval of the full Board before accepting such a position.

To further backstop such discussions and approvals, every year all directors, director nominees and executive officers are required to complete a questionnaire that asks about any business relationship that may give rise to a conflict of interest and all transactions in which the Company or one of its subsidiaries is involved and in which the director, director nominee or executive officer or a relative or affiliate of such director, nominee or executive officer has a direct or indirect material interest.The Corporate Secretary discusses the results of this diligence with the Corporate Governance Committee.

Since January 1, 2019, there have been no related-party transactions, and there are no currently proposed related-party transactions, required to be disclosed pursuant to SEC rules.

RISK OVERSIGHT

The Board has overall responsibility for risk oversight and, in that capacity, oversees the Company's risk environment and associated management practices as part of its evaluation of the Company's ongoing operations and strategic direction. To carry out its oversight function, the Board is organized into five standing committees with specific duties and risk-monitoring responsibilities: Audit and Oversight, Compensation, Corporate Governance, Executive and Finance. With the exception of the Executive Committee, each of the Board's committees meets regularly throughout the year, and receives regular briefings prepared by management and outside advisors on specific areas of current and emerging risks to the enterprise, as captured through the Company's enterprise risk management framework.

The Company has an Enterprise Risk Steering Committee ("ERSC"), comprised of senior-level management employees whose purpose is to foster an enterprise-wide approach to identifying and managing risk. The Audit Services department conducts an annual enterprise risk assessment, whereby business leaders identify existing, new or emerging issues or changes within their business areas that could have enterprise implications. Risk areas are then mapped to create a cumulative assessment of their significance and likelihood, taking into consideration industry benchmarking information, as appropriate. The mapping also identifies lines of responsibility for managing the risks to ensure accountability and focus. On a regular basis, the ERSC discusses findings of this assessment, holds in-depth discussions with members of management on identified subjects, and tracks progress and status of mitigation efforts. Senior management is tasked with ensuring that these risks and opportunities are appropriately addressed. The results of these risk management efforts are reported to the executive leadership team and are the subject of regular reports to the Board and its committees.

The committees routinely report to the full Board on matters that fall within the designated areas of responsibility, as described in their respective charters. Examples of risk monitoring activity that have been designated to committees are shown in the chart below. More information on the committees' duties and responsibilities begins on page P-25.

Risk Monitoring by Board Committee

Our board of directors is responsible for comprehensive risk oversight of short-and long-term risks. The Board retains primary oversight of critical risks that could impact the Company's sustainability or strategic objectives, and delegates specific risk monitoring responsibilities to each of its committees.

AUDIT AND OVERSIGHT

- Financial Reporting
- Legal and Regulatory Compliance including:
  - Environmental
  - Data privacy and security including cyber and physical
  - Litigation
  - Ethics and Compliance
  - FERC/NERC Compliance
- Outside Auditor Independence

COMPENSATION

- Compensation Practices and Programs
- Executive Succession Planning
- Talent Management and Development

CORPORATE GOVERNANCE

- Governance Structure and Practices
- Director Independence
- Board Performance
- Board Succession Planning

FINANCE

- Capital Allocation
- Capital Structure and Financings
- Employee Retirement and Benefit Plan Assets
- Insurance management

While the Board delegates specified duties to its committees, the Board retains collective responsibility for comprehensive risk oversight, including short- and long-term critical risks that could impact the Company's sustainability. The Board believes that certain risks should be contemplated by the full Board. Examples include the Board's (i) oversight of environmental and social risks, including the potential impact of climate change on the utility sector, (ii) review and approval of mergers and acquisitions, and (iii) review and approval of significant capital projects and investments.

Executive sessions for the non-management directors are generally held at every regularly scheduled board and committee meeting, during which directors have direct access to, and meet as needed with, Company representatives to discuss matters related to risk management. Outside of scheduled meetings, the Board, its committees and individual Board members have full access to senior executives and other key employees, including the CEO, CFO, General Counsel, Chief Audit Officer, Compliance Officer, Chief Information Officer and Controller. They are also free to engage with the leaders of our utility companies and our corporate center departments, including customer service, environmental, external affairs, human resources, investor relations, tax and treasury.

The Board believes that its leadership structure, in combination with management's enterprise risk management program, effectively supports the risk oversight function of the Board.

ENVIRONMENTAL AND SOCIAL GOVERNANCE

The Board is vigilant in its oversight of management's strategic decision-making as it navigates important developments in the utility industry. This includes oversight of the approach we take in fulfilling environmental and social stewardship matters. The Board is mindful of its responsibility to provide safe, reliable and affordable energy, preserve the Company's long-term value and make choices that take into account the interests of our stakeholders and well-being of our communities, now and in the future.

Examples of ways in which the Company demonstrated its commitment to strong environmental and social stewardship in 2019 are spotlighted below.

Commitment to delivering a clean energy future:

- Met and exceeded our 2030 goal of reducing carbon emissions by 40% below 2005 levels. Given our progress, we are re-evaluating our longer-term carbon reduction goals.
- Continued to execute on our generation reshaping plan, retiring the Presque Isle Power Plant, which was an older, less efficient coal-fired generating plant, and constructing 180 MW of natural gas-fueled generation in the Upper Peninsula of Michigan. We have retired 40% of our coal generation since 2014.
- Broke ground on two major solar initiatives in Wisconsin, with Wisconsin Public Service Corporation owning 100 megawatts of each project.

- Filed with the Public Service Commission of Wisconsin ("PSCW") for approval for Wisconsin Electric Power Company ("WE") to partner with an unaffiliated utility on one additional solar project, where WE will own 100 megawatts of the output from the project.
- Received PSCW approval for WE to participate in two renewable energy pilot programs that could add up to a total of 185 megawatts of renewables to WE's portfolio.
- Set a new long-term goal to reduce the rate of methane emissions from our natural gas distribution lines by 30% per mile from a 2011 baseline by 2030. By the end of 2019, we were more than halfway toward achieving that goal.

Commitment to our stakeholders:

- Named as one of America's Best Employers for Diversity by Forbes Magazine.
- Conducted enterprisewide workplace ethics survey to gauge employee perceptions of the company's actions, process and operating style.
- Received the Above and Beyond Award in recognition of providing employees who serve in a military capacity with additional non-mandated benefits to ease burdens associated with deployment.
- Both of our Wisconsin electric utilities earned PA Consulting's Reliability One Awards for outstanding electric reliability performance in the Midwest.
- WEC Energy Group was named best in the U.S. by J.D. Power in their 2019 Large Customer Satisfaction study (Top 2 box).
- Recognized as second-largest corporate charitable contributor in Wisconsin by Milwaukee Business Journal.
- Spent $282.6 million with certified minority-, women-, service-disabled- and veteran-owned businesses.

2019 Priority Sustainability Issues Assessment Project

During 2019, the Company partnered with the Electric Power Research Institute to conduct a rigorous analysis of the Company's sustainability priorities, looking for insights and validation from internal and external stakeholders. Findings from this project are being used to inform our sustainability strategy and disclosures, beginning with our upcoming Corporate Responsibility Report.

2019 Climate Report

In April 2019, the Company issued its first climate report, Pathway to a Cleaner Energy Future, to illustrate the approach we are taking to reduce greenhouse gas emissions and to present an analysis of factors that could affect our future decision-making. We collaborated with the Electric Power Research Institute to evaluate potential climate scenarios and better understand the related risks, opportunities and uncertainties. The report was prepared in conformity with the Task Force on Climate-Related Financial Disclosures (TCFD).

Commitment to Reporting Transparency

We value the importance our stakeholders place on understanding how we manage risks and opportunities associated with sustaining our enterprise. In addition to engaging directly with stakeholders on environmental and social issues, we are committed to continually enhancing our transparency on these matters through a variety of reporting mechanisms, including those noted below. Further, we routinely respond to data verification and survey requests from a substantial number of third party organizations seeking input regarding our ESG performance, programs and policies.

Corporate Responsibility Report

Climate Report

EEI and AGA ESG/Sustainability Reporting Template

CDP Responses

Disclosure of Political Activities

Disclosure of Environmental Policy

See the Corporate Responsibility section of our website for more details: www.wecenergygroup.com/csr

BOARD LEADERSHIP

Leadership Structure

Consistent with WEC Energy Group's bylaws and Corporate Governance Guidelines, the Board retains the right to exercise its discretion in combining or separating the offices of the Chief Executive Officer and Chairman of the Board. As part of the Board's executive succession plan, effective February 1, 2019, the Board appointed J. Kevin Fletcher as CEO and named Mr. Klappa as Executive Chairman of the Board, thereby separating the CEO and Chair positions. The Board believes this leadership structure is in the best interests of the Company's stockholders at this time. Separating these positions allows Mr. Fletcher to focus on implementing the Company's operating plans and leading the day-to-day management of our seven customer-facing utilities, and allows Mr. Klappa to lead the board in its oversight, advisory and risk management roles, with added leadership responsibility for Company strategy, capital allocation, investor relations and economic development matters.

Independent Presiding Director

Our Corporate Governance Guidelines detail the specific duties to be performed by the Board's Independent Presiding Director, a position that is currently held by Director Bowles, Chair of the Corporate Governance Committee. Duties of this role include:

- presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the non-management directors;
- serves as liaison between the CEO and the independent directors under most circumstances, although each individual director has full access to the CEO;
- has authority to call meetings of the independent directors;
- reviews and approves meeting agendas for the Board and its committees;
- reviews and approves meeting schedules to assure there is sufficient time for discussion of all agenda items;
- reviews all proposed changes to committee charters; and
- leads the annual Board evaluation.

The Board expects that Ms. Bowles will continue to serve in this capacity until the 2020 Annual Meeting of Stockholders, when she will complete her service as a director. The Board is committed to appointing a fully independent director to assume this position.

BOARD AND COMMITTEE PRACTICES

Board Meetings

During 2019, the Board met seven times and executed four written unanimous consents. All directors attended more than 75% of the total number of meetings of the Board and Board committees on which he or she served, with average director attendance at more than 94%. Generally, all directors are expected to attend the Company's Annual Meetings of Stockholders. With the exception of Mr. Leverett, all of the director nominees who were standing for election at the 2019 Annual Meeting of Stockholders held on May 2, 2019 were in attendance.

Executive Sessions

At every regularly scheduled Board and committee meeting, executive sessions are scheduled, and are generally held, for the non-management directors to meet without management present. An executive session of independent directors was held at every regularly scheduled Board meeting in 2019.

Director Orientation and Continuing Education

Management takes seriously its responsibility to onboard new directors and provide ongoing education for existing directors on the unique and complex issues inherent in operating a public company in the regulated utility industry.

Management has created a robust orientation program that introduces new directors to the Company's organizational structure, businesses, strategies, risks and opportunities, which includes in-house and field programs such as walking tours of the Company's generating facilities and project sites, senior management presentations and individual sessions with senior leaders. These activities assist new directors in developing and/or enhancing their Company and industry knowledge to optimize their service on the Board.

Ongoing opportunities to participate in continuing education are provided to the directors in the form of internally developed materials and presentations, programs presented by third parties and financial support to attend qualifying academic or other independent programs, which help our directors enhance the skills and knowledge needed to carry out their responsibilities. During 2019, management facilitated numerous educational programs in which both Company and third-party experts presented to and discussed with the directors a variety of strategic and industry-related topics. In addition, all of our directors are members of the National Association of Corporate Directors.

Succession Planning

Board Succession Planning

The Board is regularly engaged in rigorous discussions on Board succession planning, taking into consideration matters such as: current inventory of director skills; diversity, including gender, race/ethnicity, retirement age and tenure; and future competencies needed to support appropriate oversight of the Company's strategic initiatives, financial and operational performance, and enterprise risks. During 2019, these discussions took into consideration (1) the impact of Directors Bowles and Budney completing their service on the Board at the 2020 Annual Meeting of Stockholders, (2) the benefits of Director Fischer continuing service for one additional year and (3) the fact that two other directors are expected to complete their service at the 2021 Annual Meeting of Stockholders.

Two New Director Nominees

The election of Directors Green and Lane, effective October 2019 and January 2020, respectively, strategically replaced and enhanced skills essential for carrying out the Board's evolving oversight responsibilities, and also fulfilled our commitment to retaining the Board's gender diversity. The Board's decision to nominate Director Fischer for one additional year of service beyond retirement age is intended to provide additional continuity as new members join the Board, and in particular, provide valued assistance with the planned rotation of his Audit and Oversight Committee Chair role to an independent director following the 2020 Annual Meeting of Stockholders.

Management Succession Planning

Company leaders have the responsibility to continually develop the talent across the organization through the broadening and deepening of business and leadership knowledge. As an ongoing strategic initiative, succession planning and internal talent development are integral components of our workforce planning process, which includes discussions at all levels of the organization, including with the Board. Throughout 2019, the Board was actively engaged in oversight of the senior and executive management succession planning process and spent considerable time discussing executive management's plans to foster a deep talent bench and plan for senior leadership succession. The Compensation Committee, which has responsibility for reviewing organizational changes that have a significant impact on the Company, as well as reviewing succession plans for executive officers, held numerous discussions throughout 2019 to discuss the Company's recruiting and development programs, which included updates on key talent, as well as workforce demographics across the organization.

Annual Performance Evaluations

CEO Performance

The Compensation Committee, on behalf of the Board, annually evaluates the performance of the CEO and reports the results to the Board. The CEO is evaluated in a number of areas including leadership, vision, financial stewardship, strategy development and execution, management development, effective communication with constituencies, demonstrated integrity and effective representation of the Company in community and industry affairs.

As part of this practice, the Compensation Committee Chair individually obtains from each non-management director his or her input on the CEO’s performance, which is summarized and discussed with the Compensation Committee members and next in executive session with all non-management directors. The Compensation Committee Chair then shares the evaluation results with the CEO. This procedure allows the Board to evaluate the CEO and to communicate the Board’s expectations. The Compensation Committee considers the input of all non-management directors in determining appropriate compensation for the CEO. This process was completed for Mr. Fletcher in December 2019.

Executive Chairman Performance

Under the same process and timing as the CEO evaluation, the Compensation Committee Chair facilitated the annual performance evaluation of Mr. Klappa in his role as Executive Chairman, and thereafter approved a 2020 compensation package for Mr. Klappa in December 2019.

Board Performance

Led by the Independent Presiding Director, the Board annually evaluates its own performance using a framework of questions developed by the National Association of Corporate Directors. In advance of one-on-one interviews scheduled between the Independent Presiding Director and each board director, the directors are instructed to consider several “reflection” questions, in addition to a list of questions that fall within five broad categories: (i) board composition and leadership; (ii) board committees; (iii) board meetings; (iv) overall effectiveness of the Board; and (v) overall effectiveness of the Board with regard to management.

Using this interview process provides each Board member an opportunity to speak candidly. At the conclusion of the individual feedback sessions, the Independent Presiding Director first leads the Corporate Governance Committee, and then the Board, through a group discussion of key takeaways. This evaluation process was conducted in December of 2019. The Corporate Governance Committee and the Board discussed the board evaluation results at their meetings in January 2020. It is standard practice for the Corporate Governance Committee to use the results of this process to foster continuous improvement of the Board's governance activities.

Committee Performance

Each committee, except the Executive Committee, conducts an annual performance evaluation of its own activities and reports the results to the Board. During this evaluation, each committee compares its performance against the requirements of its charter and its annual planning calendar; contemplates a series of questions related to the qualifications and performance of committee members; considers the quality and quantity of information provided to the committee in advance of its meetings; and evaluates the effectiveness of the processes the committee uses to carry out its oversight responsibilities. The results of the annual evaluations are used by each committee to identify its strengths and areas where its governance practices can be improved. Each committee may recommend changes to its charter to the full Board based upon the evaluation results.

It is also standard practice for the Corporate Governance Committee annually to conduct a holistic review of all of the Committees' charters and annual planning calendars, taking into consideration evolving and new best practices with respect to risk oversight. Recommendations are routed to the appropriate Committee Chair, as needed, for consideration.

BOARD COMMITTEES

The Board of Directors has the following committees: Audit and Oversight, Compensation, Corporate Governance, Executive and Finance. Each committee, except the Executive Committee, operates under a charter approved by the Board, which can be found on our website at **www.wecenergygroup.com/govern/committee-comp.htm**. With the exception of the Executive Committee, only independent directors serve on the standing committees.

Directors Barbara Bowles and Albert Budney will complete their service as directors in May 2020, and thus are not serving as nominees for re-election at the 2020 Annual Meeting of Stockholders. Mr. Budney currently serves as a member of the Corporate Governance Committee. Ms. Bowles currently chairs the Corporate Governance Committee, is a member of the Audit and Oversight Committee and the Executive Committee, and also serves as the Independent Presiding Director.

- Following the 2020 Annual Meeting of Stockholders, the Board will appoint an independent director to serve as both the Corporate Governance Committee Chair and as the Independent Presiding Director.
- The Board will also appoint an independent director to serve as Audit and Oversight Committee Chair immediately following the 2020 Annual Meeting of Stockholders; if re-elected, Director Fischer will remain on the Audit and Oversight Committee to provide continuity during this leadership transition, and he will also remain a member of the Compensation Committee.

Audit and Oversight	
Members	Key Responsibilities
Thomas J. Fischer, Chair Barbara L. Bowles Patricia W. Chadwick Danny L. Cunningham Henry W. Knueppel **2019 Meetings: 6**	• Oversee the integrity of the financial statements. • Oversee management compliance with legal and regulatory requirements. • Review the Company's environmental and compliance programs. • Review, approve, and evaluate the independent auditors' services. • Oversee the performance of the internal audit function and independent auditors. • Discuss risk management and major risk exposures and steps taken to monitor and control such exposures. • Establish procedures for the submission and treatment of complaints and concerns regarding the Company's accounting controls and auditing matters. • Prepare the audit committee report required by the SEC for inclusion in the proxy statement.

The Audit and Oversight Committee is a separately designated committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit and Oversight Committee consists solely of independent directors who meet the independence requirements of the SEC, NYSE and the Board's Corporate Governance Guidelines. In addition, the Board has determined that all of the members of the Audit and Oversight Committee are financially literate as required by NYSE rules and qualify as audit committee financial experts within the meaning of SEC rules.

Compensation

Members	Key Responsibilities
Ulice Payne, Jr., Chair William M. Farrow III Thomas J. Fischer **2019 Meetings: 7***	• Determine and annually review the Compensation Committee's compensation philosophy. • Oversee the development of competitive, performance-based executive and director compensation programs. • Review and approve the compensation paid to select employees, including certain senior officers and executive officers (including base salaries, incentive compensation, and benefits). • Establish and administer the CEO and Executive Chairman compensation packages. • Set performance goals relevant to the CEO and Executive Chairman compensation. • Annually evaluate CEO and Executive Chairman performance and determine compensation adjustments. • Oversee succession planning and assignments to key executive officers. • Prepare the report required by the SEC for inclusion in the proxy statement. • Review the results of the most recent stockholder advisory vote on compensation of the named executive officers ("NEOs").

*Included one joint meeting with the Corporate Governance Committee.

The Compensation Committee consists solely of independent directors who meet the independence requirements of the SEC, NYSE and the Board's Corporate Governance Guidelines.

The Compensation Committee is charged with administering the compensation package of WEC Energy Group's non-management directors. The Compensation Committee meets with the Corporate Governance Committee annually to review the compensation package of WEC Energy Group's non-management directors and to determine the appropriate amount of such compensation.

The Compensation Committee, which has authority to retain advisers, including compensation consultants, at WEC Energy Group's expense, retained Frederic W. Cook & Co., Inc. ("FW Cook") to analyze and help develop the Company's executive compensation program, and to assess whether the compensation program is competitive and supports the Committee's objectives. FW Cook also assesses and provides recommendations on non-management director compensation, as discussed in more detail on page P-30. FW Cook is engaged solely by the Compensation Committee to provide executive compensation consulting services, and does not provide any additional services to the Company.

In connection with its retention of FW Cook, the Compensation Committee reviewed FW Cook's independence, including: (1) the amount of fees received by FW Cook from WEC Energy Group as a percentage of FW Cook's total revenue; (2) FW Cook's policies and procedures designed to prevent conflicts of interest; and (3) the existence of any business or personal relationships that could impact independence. After reviewing these and other factors, the Compensation Committee determined that FW Cook is independent and the engagement did not present any conflicts of interest. FW Cook also determined that it was independent from the Company's management, which was confirmed in a written statement delivered to the Compensation Committee.

For more information regarding our executive and director compensation processes and procedures, please refer to "Compensation Discussion and Analysis" beginning on page P-33 and to "Director Compensation" beginning on page P-30, respectively.

Corporate Governance

Members	Key Responsibilities
Barbara L. Bowles, Chair Albert J. Budney, Jr. Curt S. Culver William M. Farrow III Maria C. Green Henry W. Knueppel **2019 Meetings: 5***	• Establish and annually review the Corporate Governance Guidelines to verify that the Board is effectively performing its fiduciary responsibilities to stockholders. • Establish and annually review director candidate selection criteria. • Identify and recommend candidates to be named as nominees of the Board for election as directors. • Lead the Board in its annual review of the Board's performance.

*Included one joint meeting with the Compensation Committee.

The Corporate Governance Committee consists solely of independent directors who meet the independence requirements of the NYSE and the Board's Corporate Governance Guidelines.

Executive

The Board also has an Executive Committee, which may exercise all powers vested in the Board except action regarding dividends or other distributions to stockholders, filling Board vacancies, and other powers which by law may not be delegated to a committee or actions reserved for a committee comprised of independent directors. The members of the Executive Committee are Gale E. Klappa (Chair), Barbara L. Bowles, Curt S. Culver, Thomas J. Fischer, and Ulice Payne, Jr. The Executive Committee did not meet in 2019.

Finance

Members	Key Responsibilities
Curt S. Culver, Chair Patrica W. Chadwick William M. Farrow III Thomas K. Lane Ulice Payne, Jr. Mary Ellen Stanek **2019 Meetings: 3**	• Review and monitor the Company's current and long-range financial policies and strategies, including our capital structure and dividend policy. • Authorize the issuance of corporate debt within limits set by the Board. • Discuss policies and financial programs with respect to financial risk management. • Approve the Company's financial plan, including the capital budget.

The Finance Committee consists solely of independent directors who meet the independence requirements of the NYSE and the Board's Corporate Governance Guidelines.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the persons who served as members of the Compensation Committee during 2019 was an officer or employee of the Company during 2019 or at any time in the past nor had reportable transactions with the Company.

During 2019, none of our executive officers served as a member of the Compensation Committee or as a director of another entity, one of whose executive officers served on the Compensation Committee or as a director of the Company.

COMMUNICATIONS WITH THE BOARD

Correspondence may be sent to the directors, including the non-management directors, in care of the Corporate Secretary, Margaret C. Kelsey, at the Company's principal business office, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201. All communications received as set forth above will be opened by the Corporate Secretary for the sole purpose of confirming the contents represent a message to the Company's directors. Pursuant to instructions from the Board, all communication, other than advertising, promotion of a product or service, or patently offensive material, will be forwarded promptly to the addressee.

Where to find more information on governance

You can find our Corporate Governance Guidelines, Code of Business Conduct, and other corporate governance materials, including WEC Energy Group's Restated Articles of Incorporation, Bylaws, Board committee charters and Board contact information, on the Corporate Governance section of our website at **www.wecenergygroup.com/govern/governance.htm.** You can request copies of these materials from the Corporate Secretary at the address provided above in "Communications with the Board."

DIRECTOR COMPENSATION

Consistent with its charter, the Compensation Committee seeks to maintain a competitive director compensation program that enables the Company to attract and retain key individuals and to motivate them to help the Company achieve its short- and long-term goals. As such, the committee is responsible for reviewing key market-based trends in director compensation and benefits packages and for recommending changes to the Board, as appropriate, that will attract and retain quality directors. The Committee's charter authorizes it to engage consultants or advisors in connection with its review and analysis of director compensation. The Compensation Committee used FW Cook during 2019 for this purpose. Directors who are also employees of the Company do not receive additional compensation for service as a director.

2019 Compensation of the Board of Directors

The following table describes the components of the non-management director compensation program during 2019. The Compensation Committee believes that this program:

- is equitable based upon the work required of directors serving an entity of the Company's size and scope, and
- ties the majority of director compensation to stockholder interests because the value of the equity awards fluctuates depending upon the Company's stock price.

Compensation Element	2019 Non-Management Director Compensation Program
Annual Cash Retainer Fee	$100,000
Annual Equity Retainer	$135,000 in restricted stock, which vests one year from grant date
Annual Committee Chair Fees	
• Audit and Oversight	$20,000 paid in $5,000 quarterly increments
• Compensation	$15,000 paid in $3,750 quarterly increments
• Corporate Governance	$15,000 paid in $3,750 quarterly increments
• Finance	$15,000 paid in $3,750 quarterly increments
Board and Committee Meeting Fees	None
Stock Ownership Guideline	Ownership of common stock or deferred stock units that have a value equal to five times the annual cash retainer for non-management directors to be satisfied within five years of joining the Board

Insurance is also provided by the Company for director liability coverage, fiduciary and employee benefit liability coverage, and travel accident coverage for director travel on Company business. The premiums paid for this insurance are not included in the amounts reported in the table located on the next page.

The Company reimburses directors for all out-of-pocket travel expenses. These reimbursed amounts are also not reflected in the table located on the next page.

Deferred Compensation Plan. Non-management directors may defer all or a portion of their cash fees pursuant to the Directors' Deferred Compensation Plan. Directors have two investment options in the plan - the Company's phantom stock measurement fund or a prime rate fund. The value of the phantom stock measurement fund appreciates or depreciates based upon market performance of the Company's common stock, and it also grows through the accumulation of reinvested dividend equivalents. Deferral amounts are credited in the name of each participating director to accounts on the books of WEC Energy Group that are unsecured and are payable only in cash at the time elected by the director. Deferred amounts will be paid out of general corporate assets or the assets of the Wisconsin Energy Corporation 2014 Rabbi Trust addressed later in this proxy statement.

Legacy Charitable Awards Program. Directors elected prior to January 1, 2007 participate in a Directors' Charitable Awards Program under which the Company intends to contribute up to $100,000 per year for 10 years to one or more charitable organizations chosen by each participating director, including employee directors, following the director's death. Charitable donations under the program will be paid out of general corporate assets. Directors derive no financial benefit from the program, and all income tax deductions accrue solely to the Company. The tax deductibility of these charitable donations may mitigate the net cost to the Company. The Directors' Charitable Awards Program has been eliminated for any new directors elected after January 1, 2007. Current Directors participating in the program are Messrs. Culver, Fischer, Klappa, and Payne, and Mmes. Bowles and Chadwick.

Director Compensation Table. The following table summarizes the total compensation received during 2019 by each director serving as a non-management director of WEC Energy Group in 2019.

Name	Fees Earned or Paid In Cash ($)	Stock Awards [(1)] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
John F. Bergstrom [(2)]	107,500	286,873 [(3)]	—	—	—	23,374	417,747
Barbara L. Bowles	115,000	135,000	—	—	—	21,947	271,947
William J. Brodsky [(2)]	100,000	286,873 [(3)]	—	—	—	—	386,873
Albert J. Budney, Jr.	100,000	135,000	—	—	—	—	235,000
Patricia W. Chadwick	100,000	135,000	—	—	—	20,608	255,608
Curt S. Culver	115,000	135,000	—	—	—	22,730	272,730
Danny L. Cunningham	100,000	135,000	—	—	—	—	235,000
William M. Farrow III	100,000	135,000	—	—	—	—	235,000
Thomas J. Fischer	120,000	135,000	—	—	—	23,374	278,374
Maria C. Green	25,000	—	—	—	—	—	25,000
Henry W. Knueppel	100,000	135,000	—	—	—	—	235,000
Allen L. Leverett [(4)]	—	—	—	—	—	—	—
Ulice Payne, Jr.	107,500	135,000	—	—	—	16,710	259,210
Mary Ellen Stanek	100,000	135,000	—	—	—	—	235,000

(1) Other than Mr. Bergstrom (0 shares), Mr. Brodsky (0 shares), Ms. Green (0) and Mr. Leverett (11,755 shares), each director held 2,037 shares of restricted stock as of the close of business on December 31, 2019.

(2) Messrs. Bergstrom and Brodsky completed their service as directors at the Annual Meeting of Stockholders held on May 2, 2019.

(3) In consideration of their exemplary service to the Board, the Compensation Committee accelerated the vesting of 1,996 shares of restricted stock previously awarded to each of Messrs. Bergstrom and Brodsky. The incremental fair value associated with each acceleration was $151,873, which is included in the reported amounts.

(4) Mr. Leverett resigned from the Board, effective July 18, 2019. Mr. Leverett did not receive any director compensation in 2019.

Fees Earned or Paid in Cash. The amounts reported in the Fees Earned or Paid in Cash column include annual cash-based retainers for each non-management director and applicable annual committee chair fees earned during 2019 regardless of whether such retainers and fees were paid in cash or deferred.

Stock Awards. On January 2, 2019, each current non-management director received his or her 2019 annual equity retainer in the form of restricted stock equal to a value of $135,000. The amounts reported in the Stock Awards column reflect the aggregate grant date fair value, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718, excluding estimated forfeitures, of the restricted stock awarded. Each reported restricted stock award vests in full one year from the grant date.

All Other Compensation. All amounts reported in the All Other Compensation column represent costs attributed to the director for the Directors' Charitable Awards Program. See "Legacy Charitable Awards Program" above for additional information.

2020 Compensation of the Board of Directors

In December 2019, the Compensation Committee completed its annual review of director compensation and determined that, based upon research provided by FW Cook, total non-management director compensation delivered in cash based retainers and in equity, as well as the Compensation Committee Chair fee, were below market median. As a result, the Compensation Committee recommended and the Board approved an increase of $15,000 in total non-management director compensation to be delivered as $10,000 in cash-based retainers and $5,000 in equity. As a result, the annual cash-based retainer was increased from $100,000 to $110,000 and the value of the annual restricted stock equity award was increased from $135,000 to $140,000 effective January 1, 2020. In addition, the Board approved the recommendation to increase the annual Compensation Committee Chair fee to $20,000. The Compensation Committee concluded that it was appropriate for all other committee chair fees to remain unchanged from the approved 2019 levels. Director Payne recused himself from the discussions and decision regarding the increase in the Compensation Committee Chair fee.

PROPOSAL 2: ADVISORY VOTE TO APPROVE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

Pursuant to Section 14A of the Exchange Act, the Company seeks your advisory vote on the approval of the compensation paid to our named executed officers (commonly referred to as "Say-on-Pay") as described in the Compensation Discussion and Analysis and the related tables included in this proxy statement. Approval, on a non-binding, advisory basis, of the compensation of the named executed officers requires the affirmative vote of a majority of the votes cast in person or by proxy at the 2020 Annual Meeting of Stockholders. Presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect on the outcome of this matter. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Compensation Committee will review the voting results and take them into consideration when making future decisions regarding executive compensation.

As described in the Compensation Discussion and Analysis on pages P-33 through P-47 of this proxy statement, the Compensation Committee has structured the Company's executive compensation program with the following objectives in mind:

- offer a competitive, performance-based plan;
- enable the Company to attract and retain key individuals;
- reward achievement of the Company's short-term and long-term goals; and
- align with the interest of the Company's stockholders and customers.

As described in this proxy statement, the Company believes that the compensation paid to our named executed officers in 2019 was well-tailored to achieve these objectives, tying a significant portion of total pay to performance and aligning the interests of the named executed officers with those of stockholders and customers. We encourage you to carefully review the Compensation Discussion and Analysis and related tables included in this proxy statement, which describe in greater detail WEC Energy Group's compensation philosophy and programs, as well as the 2019 compensation levels, in connection with approval of the following resolution:

> "RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to the Company's named executive officers as disclosed in the Proxy Statement for the 2020 Annual Meeting of Stockholders."

The Board of Directors recommends that you vote "FOR" the advisory vote on Executive Compensation.

Compensation Discussion and Analysis

The following discussion provides an overview and analysis of our executive compensation program, including the role of the Compensation Committee of our Board, the elements of our executive compensation program, the purposes and objectives of these elements, and the manner in which we established the compensation of our named executive officers ("NEOs") for fiscal year 2019.

References to “we,” “us,” “our,” "Company," and “WEC Energy Group” in this discussion and analysis mean WEC Energy Group, Inc. and its management, as applicable.

EXECUTIVE SUMMARY

Overview

The primary objective of our executive compensation program is to provide a competitive, performance-based plan that enables the Company to attract and retain key individuals and to reward them for achieving both the Company’s short-term and long-term goals without creating an incentive for our NEOs to take excessive risks. Our program has been designed to provide a level of compensation that is strongly dependent upon the achievement of short-term and long-term goals that are aligned with the interests of our stockholders and customers. To that end, a substantial portion of pay is at risk, and generally, the value will only be realized upon strong corporate performance.

We also value the input of our stockholders and recognize the increasing investor desire for companies to link ESG factors to compensation. ESG initiatives are firmly entrenched in our executive compensation program. In fact, since 2004 our performance metrics have included customer satisfaction, supplier and workforce diversity, and safety.

2019 Business Highlights

During 2019, we continued to make excellent progress in our efforts to streamline and improve business processes, and consolidate IT infrastructure across our companies. At the same time, the Company achieved solid results and continued to create long-term value for our stockholders and customers by focusing on the following:

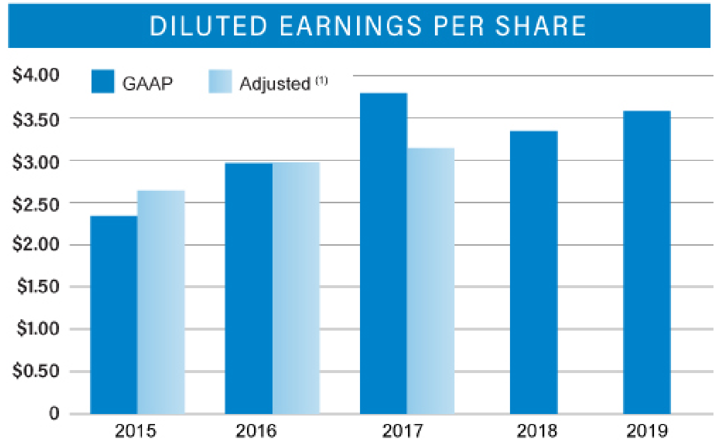
- World-class reliability
- Financial discipline
- Operating efficiency
- Exceptional customer care
- Employee safety

Commitment to Stockholder Value Creation. Financially, WEC Energy Group again delivered solid earnings growth, generated strong cash flow, and increased the dividend for the 16th consecutive year. In January 2019, the Board raised the quarterly dividend 6.8% to $0.59 per share, equivalent to an annual rate of $2.36 per share. In January 2020, the Board again increased the quarterly dividend 7.2% to $0.6325 per share, which is equivalent to an annual rate of $2.53 per share, in line with our plan to maintain a dividend payout ratio of 65% to 70% of earnings. Overall, the Company also turned in strong performances in customer satisfaction, supplier diversity and network reliability during 2019. Our employees demonstrated their resiliency as we responded to severe storms that hit Wisconsin in July 2019, impacting more than 290,000 customers in our Wisconsin service areas.

Specific Company achievements during 2019 include:

2019 Financial Highlights

- WEC Energy Group delivered solid earnings growth again, generated strong cash flow, and increased the dividend for the 16th consecutive year.
- We achieved fully diluted earnings per share of $3.58. (2)
- Each of our regulated utility subsidiaries earned its allowed rate of return, with our Wisconsin utilities earning their fully allowed rate of return.
- We returned approximately $744.5 million to WEC Energy Group stockholders through dividends.
- Our common stock set 48 new all-time trading highs during the year.
- In January 2020, the Board raised the quarterly dividend to $.6325 per share, which is equivalent to an annual dividend rate of $2.53 per share.



(1) For 2017, excludes a one-time $0.65 per share gain related to a revaluation of our deferred taxes as a result of the Tax Cuts and Jobs Act of 2017. For 2016 and 2015, excludes costs of $0.01 and $0.30, per share, respectively, related to our acquisition of Integrys Energy Group. See Appendix A on P-72 for a full GAAP reconciliation and an explanation of why we believe the presentation of adjusted earnings per share is relevant and useful to investors.

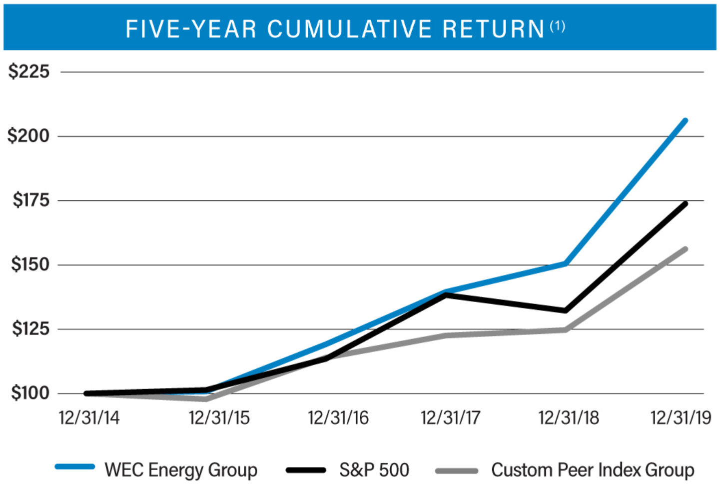
2019 Performance Highlights

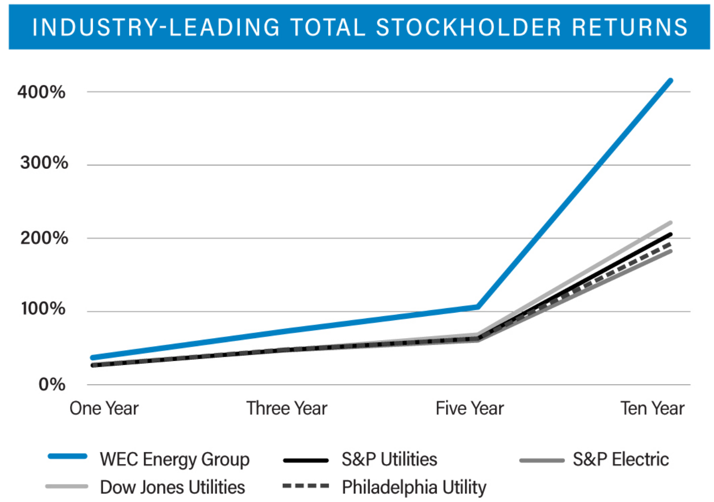
- PA Consulting Group named We Energies the most reliable utility in the Midwest for the ninth year in a row. Wisconsin Public Service Corporation ("WPSC") also was recognized for its outstanding reliability performance as a midsize utility.
- Set a new long-term goal to reduce the rate of methane emissions from our natural gas distribution lines by 30% per mile from a 2011 baseline by 2030.
- Continued to execute on our generation reshaping plan, retiring the Presque Isle power plant, which is an older, less efficient coal fired generating plant, and constructing 180 megawatts of natural gas-fueled generation in the Upper Peninsula of Michigan.
- Named as one of America's Best Employers for Diversity by Forbes Magazine.
- Spent $282.6 million with qualified minority-, women-, service-disabled- and veteran-owned businesses, the highest spending with diverse suppliers in the Company's history.(2)
- Peoples Gas Light and Coke Company was named as a 2019 Most Trusted Utility Brand by the Cogent Syndicated Utility Trusted Brand & Customer Engagement study.
- All major utility subsidiaries either met or exceeded our overall customer satisfaction targets.(2)
- Continued to grow the Company's non-utility energy infrastructure segment, either investing or agreeing to invest in three different wind farms for a cumulative total of approximately $698 million.
- Broke ground on two major solar initiatives in Wisconsin, with WPSC owning 100 megawatts of each project.
- Filed with the PSCW for approval for Wisconsin Electric Power Company ("WE") to partner with an unaffiliated utility on one additional solar project, where WE will own 100 megawatts of the output from the project.
- Received PSCW approval for WE to participate in two renewable energy pilot programs that could add up to a total of 185 megawatts of renewables to WE's portfolio.

(2) This measure is a component of our short-term incentive compensation program.

Long-Term Stockholder Returns

Over the past decade, WEC Energy Group has consistently delivered among the best total returns in the industry and did so again in 2019.





(1) The Five-Year Cumulative Return Chart shows a comparison of the cumulative total return, assuming reinvestment of dividends, over the last five years had $100 been invested at the close of business on December 31, 2014. For information about the Custom Peer Index Group, see "Performance Graph" in the Company's 2019 Annual Report.

Source: Bloomberg; assumes all dividends are reinvested and returns are compounded daily.

Consideration of 2019 Stockholder Advisory Vote and Stockholder Outreach

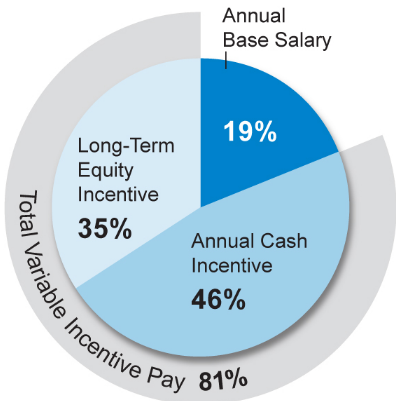
At the 2019 Annual Meeting of Stockholders, the Company’s stockholders approved the compensation of our named executive officers with 92.5% of the votes cast. The Compensation Committee considered this outcome as well as the feedback received during meetings we again held with many of our institutional stockholders. During 2019, we communicated with stockholders representing approximately 42% of the Company’s outstanding common stock about our environmental, social, governance and compensation practices. The Compensation Committee is always looking for ways to refine our compensation program. However, in light of the significant stockholder support our executive compensation program received in 2019 and the payout levels under our performance-based program for 2019, the Compensation Committee believes that the current compensation program is competitive, aligned with our financial and operational performance goals, and in the best interests of the Company, stockholders, and customers.

COMPONENTS OF OUR EXECUTIVE COMPENSATION PROGRAM

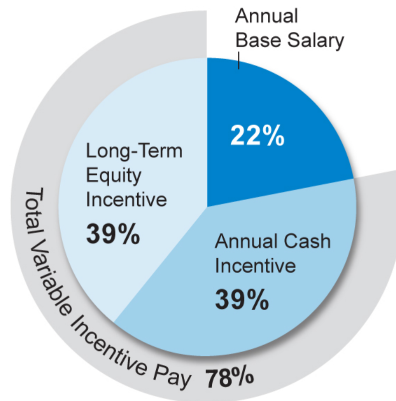
We have three primary elements of total direct compensation: (1) base salary; (2) annual incentive awards; and (3) long-term incentive awards consisting of a mix of performance units, stock options, and restricted stock. The Compensation Committee again retained Frederic W. Cook & Co., Inc. ("FW Cook") as its independent compensation consultant to advise the Compensation Committee with respect to our executive compensation program. The Compensation Committee generally relied upon the recommendations of FW Cook as it developed the 2019 program.

As shown in the charts below, 81% of Mr. Fletcher's 2019 total direct compensation and an average of 78% of the other NEOs' 2019 total direct compensation is tied to Company performance and is not guaranteed.

CEO 2019 TOTAL DIRECT COMPENSATION MIX



OTHER NEOs 2019 TOTAL DIRECT COMPENSATION MIX



In addition to the components of total direct compensation identified above, our retirement programs are another important component of our compensation program.

To the extent feasible, we believe it is important that the Company's compensation program not dilute the interests of current stockholders. Therefore, we currently use open-market purchases to satisfy our benefit plan obligations, including the exercise of stock options and awarding of restricted stock.

This Compensation Discussion and Analysis contains a more detailed discussion of each of the above components for 2019, including FW Cook's recommendations with respect to each component.

Compensation Governance and Practices

The Compensation Committee annually reviews and considers the Company's compensation policies and practices to ensure our executive compensation program aligns with our compensation philosophy. Highlighted below is an overview of our current compensation practices.

What We Do

- Our compensation program focuses on key Company results (financial, safety, customer satisfaction, diversity) that are aligned with our strategic goals.
- A substantial portion of compensation is at risk and tied to Company performance.
- The compensation program has a long-term orientation aligned with stockholder interests.
- We include ESG metrics in our compensation program.
- The Compensation Committee retains an independent compensation consultant to help design the Company's compensation program and determine competitive levels of pay.
- The Compensation Committee's independent compensation consultant reviews competitive employment market data from two general industry surveys and a comparison group of companies similar to WEC Energy Group.
- We have a clawback policy that provides for the recoupment of incentive-based compensation. ▶ P-45
- Annual incentive-based compensation contains multiple, pre-established performance metrics aligned with stockholder and customer interests. ▶ P-39
- The Performance Unit Plan award payouts (including dividend equivalents) are based on stockholder return as compared to an appropriate peer group and Additional Performance Measure(s), selected by the Compensation Committee. ▶ P-41
- The Performance Unit Plan requires a separation from service following a change in control for award vesting to occur. ▶ P-44
- Equity award and other benefit plan obligations are satisfied through open-market purchases of WEC Energy Group common stock.
- Meaningful stock ownership levels are required for senior executives. ▶ P-45
- Ongoing engagement with investors takes place to ensure that compensation practices are responsive to stockholder interests.
- We prohibit hedging and pledging of WEC Energy Group common stock. ▶ P-46
- We prohibit entry into any new arrangements that obligate the Company to pay directly or reimburse individual tax liability for benefits provided by the Company. ▶ P-47
- We prohibit repricing of stock options without stockholder approval.

Competitive Benchmarking

As a general matter, we believe the labor market for WEC Energy Group executive officers is consistent with that of general industry. Although we recognize our business is focused on the energy services industry, our goal is to have an executive compensation program that will allow us to be competitive in recruiting the most qualified candidates to serve as executive officers of the Company, including individuals who may be employed outside of the energy services industry. Further, in order to retain top performing executive officers, we believe our compensation practices must be competitive with those of general industry.

To confirm that our annual executive compensation is competitive with the market, FW Cook reviewed 2019 general industry executive compensation survey data obtained from Willis Towers Watson and Aon Hewitt. FW Cook also analyzed the compensation data from a peer group of 18 companies similar to WEC Energy Group in size and business model. The methodology used by FW Cook to determine the peer group of companies is described below.

FW Cook started with U.S. companies in the Standard & Poor's database, and then limited those companies to the same line of business as WEC Energy Group as indicated by the Global Industry Classification Standards. This list of companies was then further limited to companies with revenues between $2.5 billion and $24 billion (approximately one-third to three times the size of WEC Energy Group's revenues), and that were within a reasonable size range in various other measures such as operating income, total assets, total employees, and market capitalization. From this list, FW Cook selected companies similar in overall size to WEC Energy Group with consideration given to companies that met one or more of the following criteria:

- Diversified, technically sophisticated utility operations (e.g., multiple utilities, electric utilities);
- Minimal non-regulated business; and/or
- Operates in the Midwest.

These criteria resulted in a comparison group of 18 companies with median revenues and market capitalization of approximately $10.6 billion and $17 billion, respectively.

The comparison group utilized for purposes of 2019 compensation includes the same companies as the previous year's comparison group, and was comprised of the 18 companies listed below.

- Alliant Energy Corporation
- Ameren Corporation
- American Electric Power Company
- CMS Energy Corporation
- CenterPoint Energy
- Consolidated Edison, Inc.
- DTE Energy Co.
- Edison International
- Entergy Inc.
- Eversource Energy
- FirstEnergy Corp.
- NiSource Inc.
- PG&E Corporation
- PPL Corp.
- Pinnacle West Capital Corp.
- SCANA Corporation
- The Southern Company
- Xcel Energy Inc.

The Compensation Committee approved this comparison group.

DETERMINATION OF MARKET MEDIAN

In order to determine the "market median" for our NEOs, FW Cook recommended that the survey data from Willis Towers Watson and Aon Hewitt receive a 75% weighting and the comparison group of 18 companies receive a 25% weighting. The Compensation Committee agreed with this recommendation. The survey data received a higher weighting because we consider the labor market for our executives to be consistent with that of general industry. Using this methodology, FW Cook recommended, and the Compensation Committee approved, the appropriate market median for each of our NEOs.

The comparison of each component of compensation with the appropriate market median when setting the compensation levels of our NEOs generally drives the allocation of cash versus non-cash compensation and short-term versus long-term incentive compensation.

ANNUAL BASE SALARY

The annual base salary component of our executive compensation program provides each executive officer with a fixed level of annual cash compensation. We believe that providing annual cash compensation through a base salary is an established market practice and is a necessary component of a competitive compensation program.

Based upon the market data analyzed by FW Cook, we generally target base salaries to be at or near the market median for each NEO. However, the Compensation Committee may, in its discretion, set base salaries at a different amount when the Compensation Committee deems it appropriate.

Actual salary determinations are made taking into consideration factors such as the relative levels of individual experience, performance, responsibility, market compensation data and contribution to the results of the Company's operations. At the beginning of each year, our CEO develops a list of goals for WEC Energy Group and our employees to achieve during the upcoming year. At the end of the year, our CEO measures the performance of the Company against each stated goal and reports the results to the Board. The Compensation Committee then takes the Company's performance into consideration when establishing our CEO's compensation for the upcoming year. Our CEO undertakes a similar process with the other NEOs, who develop individual goals related to the achievement of the Company's goals developed by our CEO. At the end of the year, each officer's performance is measured against these goals. Compensation recommendations and determinations for the upcoming year for each executive officer take into consideration the level of such performance. Upon separation of the offices of CEO and Chairman, the Compensation Committee began establishing the Chairman's salary.

2019 Salary Determination Process

Mr. Klappa, who was CEO until February 1, 2019, developed the 2019 goals with significant input from Mr. Fletcher who assumed the CEO role on that date. Mr. Klappa and Mr. Fletcher continue to work together to establish the Company's goals.

Regarding 2019 salaries, in recognition of Mr. Fletcher's appointment to President and Chief Executive Officer of WEC Energy Group, the Compensation Committee increased his annual base salary to $1,004,000. Also, in connection with Mr. Klappa's appointment to Executive Chairman, he entered into a written agreement with the Company for his 2019 compensation, which was approved by the Compensation Committee. Pursuant to the terms of the letter agreement, Mr. Klappa's 2019 annual base salary was set at $1,000,000, effective February 1, 2019.

With respect to the 2019 salaries of the remaining NEOs, in December 2018, Mr. Klappa, who was CEO at the time, recommended annual base salaries to the Compensation Committee based upon a review of the market compensation data provided by FW Cook and the other factors described above. The Compensation Committee approved the recommendations, which represented an average increase in annual base salary of approximately 4.5% for Messrs. Lauber, Kuester and Garvin, and Ms. Kelsey. After taking these adjustments into account, the annual base salary of each NEO was at or near the market median.

ANNUAL CASH INCENTIVE COMPENSATION

We provide annual cash incentive compensation through our Short-Term Performance Plan ("STPP"). The STPP provides for annual cash awards to NEOs based upon the achievement of pre-established stockholder-, customer-, and employee- focused objectives. All payments under the STPP are at risk. Payments are made only if performance goals are achieved, and awards may be less or greater than targeted amounts based upon actual performance. Payments under the STPP are intended to reward achievement of short-term goals that contribute to stockholder and customer value, as well as individual contributions to successful operations.

2019 Target Awards. Each year, the Compensation Committee approves a target level of compensation under the STPP for each of our NEOs. This target level of compensation is expressed as a percentage of base salary.

Effective February 1, 2019, the target award level for Mr. Fletcher was increased to 125% of base salary in recognition of his appointment to President and Chief Executive Officer of WEC Energy Group. Therefore, Mr. Fletcher's STPP payout level reflects a 90% target level for January 2019 and a 125% target level for February through the remainder of 2019. Also effective February 1, 2019, Mr. Klappa's target award level was set at 100% of base salary in recognition of Mr. Fletcher succeeding Mr. Klappa as CEO and Mr. Klappa's appointment to Executive Chairman. Therefore, Mr. Klappa's STPP payout level reflects a 120% target level for one month and a 100% target level for the remainder of the year.

The year-end 2019 target awards for each NEO (other than Messrs. Fletcher and Klappa, who are discussed above) are set forth in the chart below.

Executive Officer	Target STPP Award as a Percentage of Base Salary
Mr. Lauber	80%
Mr. Kuester	85%
Ms. Kelsey	75%
Mr. Garvin	65%

The target award levels of each NEO above reflect median incentive compensation practices as indicated by the market data.

For 2019, the possible payout for any NEO ranged from 0% of the target award to 210% of the target award, based upon performance.

2019 Financial Goals under the STPP. The Compensation Committee adopted the 2019 STPP with a continued principal focus on financial results. In December 2018, the Compensation Committee approved WEC Energy Group's earnings per share (75% weight) and cash flow (25% weight) as the primary performance measures to be used in 2019. We believe earnings per share and cash flow are key indicators of financial strength and performance, and are recognized as such by the investment community.

In January 2019, the Compensation Committee approved the performance goals under the STPP for WEC Energy Group's earnings per share as set forth in the chart below.

Earnings Per Share Performance Goal	Earnings Per Share CAGR	Payout Level
$3.38	3.0%	25%
$3.41	4.0%	50%
$3.45	5.2%	100%
$3.48	6.1%	135%
$3.52	7.3%	200%

If the Company's performance falls between these levels, the payout level with respect to earnings per share is determined by interpolating on a straight line basis the appropriate payout level.

The Company's growth plan, which has been communicated to the public, calls for a long-term compound annual growth rate ("CAGR") in earnings per share of 5.0% to 7.0%. At the time the Compensation Committee was establishing targets for 2019, this CAGR was measured off a 2018 base of $3.28 per share, which represented the mid-point of the original 2018 annual earnings guidance. We believe that this CAGR, plus our continued growth in dividends, supports a premium valuation as compared to the Company's peers. In order to further motivate management, the Compensation Committee determined that the Company's target and maximum payout levels should exceed the low and high ends of the 5.0% to 7.0% CAGR growth plan. Therefore, the target (100%) and maximum payout levels (200%) were tied to 5.2% and 7.3% CAGRs, respectively. The Compensation Committee tied the above-target payout level to achievement of a 6.1% CAGR.

In January 2019, the Compensation Committee approved the performance goals under the STPP for WEC Energy Group's cash flow as set forth in the chart below ($ in millions).

Cash Flow	Payout Level
$1,750	25%
$1,800	50%
$1,850	100%
$1,900	135%
$2,000	200%

If the Company's performance falls between these levels, the payout level with respect to cash flow is determined by interpolating on a straight-line basis the appropriate payout level.

The Compensation Committee based the cash flow performance level goals on WEC Energy Group's funds from operations ("FFO"). FFO is calculated by taking "cash provided by operating activities" and eliminating certain accruals and other items related to capital spending. GAAP requires these items to be recorded as part of cash from operations, but management views them as related to the Company's capital expenditure program. The Compensation Committee believes that basing the cash flow performance goals on FFO provides a more accurate measurement of the cash generated by the Company's operations that is available for capital investment, which is the Company's primary driver for earnings growth. FFO is not a measure of financial performance under GAAP, and the Company's calculation may differ from similarly titled measures used by other companies or securities rating agencies.

2019 Financial Performance under the STPP. In January 2020, the Compensation Committee reviewed our actual performance for 2019 against the financial and operational performance goals established under the STPP, subject to final audit.

WEC Energy Group's 2019 financial performance satisfied the maximum payout level established for earnings per share and cash flow. WEC Energy Group's earnings per share were $3.58 for 2019, and its cash flow, based on FFO, was $2,396 million. Our cash flow result is not a measure of financial performance under GAAP.

By satisfying the maximum payout level with respect to these financial measures, the NEOs earned 200% of the target award from the financial goal component of the STPP.

2019 WEC Energy Group Operational Goals and Performance under the STPP. The Compensation Committee recognizes the importance of integrating ESG initiatives into the Company's compensation program. Therefore, similar to prior years, in December 2018 and January 2019, the Compensation Committee also approved operational performance measures and targets under the STPP that promote certain of the Company's ESG priorities. The Compensation Committee identified commitment to customer satisfaction, supplier and workforce diversity, and safety as critical to the success of the Company. For that reason, annual incentive awards could be increased or decreased by up to 10% of the actual award based upon WEC Energy Group's performance in the operational areas of customer satisfaction (5% weight), safety (2.5% weight), and supplier and workforce diversity (2.5% weight).

The Compensation Committee measures customer satisfaction levels based upon the results of surveys that an independent third party conducts of customers who had direct contact with our utilities during the year, which measure (i) customers' satisfaction with the respective utility overall, and (ii) customers' satisfaction with respect to the particular transactions with the applicable utility. Safety is measured based upon performance against the number of lost time injuries and OSHA recordable incidents. In the past few years, safety was also measured against the number of Near Miss/Unsafe Condition ("NMUC") Reports filed. Although NMUC reporting continues to be an important tool to mitigate safety risks, the reports do not measure the severity of the unsafe condition. The Company continues to track NMUC reports as well as other initiatives aimed at identifying and rectifying safety concerns but does not tie NMUC metrics themselves to pay.

The operational performance measures are based upon recommendations from management and take into consideration both current-year performance and our longer-term objective of achieving top quartile performance of all of our principal utilities. The Compensation Committee reviews management's recommendations and may make adjustments to the performance measures if it determines changes are necessary. The following table provides the operational goals approved by the Compensation Committee for 2019, as well as WEC Energy Group's performance against these goals:

Operational Measure	Below Goal	Goal	Above Goal	Final Result
Customer Satisfaction Percentage of "Highly Satisfied":	-5.00%	0.00%	+5.00%	
Company	<77.1%	77.1% - 80.0%	>80.0%	80.5%
Transaction	<80.9%	80.9% - 83.5%	>83.5%	82.7%
Safety:	-2.50%	0.00%	+2.50%	
Lost Time Injury - Incidents	>54	33 - 54	<33	43
OSHA Recordable - Incidents	>182	128 - 182	<128	197
Diversity:	-2.50%	0.00%	+2.50%	
Supplier ($ in Millions)	<221.9	221.9 - 250.8	>250.8	282.6
Workforce - Assessment	Not Met	Met	Exceeded	Met

Based on the operational results listed in the table above, WEC Energy Group's performance with respect to operational goals generated a 2.5% increase to the compensation awarded under the STPP for 2019 for financial results.

Based upon the Company's performance against the financial and operational goals established by the Compensation Committee, Mr. Fletcher received annual incentive cash compensation under the STPP of $2,433,884 for 2019. This represented 249% of his annual base salary. Messrs. Klappa, Lauber, Kuester, and Garvin, and Ms. Kelsey, each received annual cash incentive compensation for 2019 under the STPP equal to 207%, 162%, 172%, 143%, and 152% of their respective annual base salaries, representing 202.50% of the target award for each officer.

The Compensation Committee retains the right to exercise discretion in adjusting awards under the STPP when it deems appropriate. In light of Mr. Garvin's significant individual contributions and commitment to advancing the Company's legislative and regulatory matters in all four state jurisdictions, the Compensation Committee increased Mr. Garvin's 2019 total award.

LONG-TERM INCENTIVE COMPENSATION

The Compensation Committee administers our 1993 Omnibus Stock Incentive Plan, amended and restated effective January 1, 2016, which is a stockholder-approved, long-term incentive plan designed to link the interests of our executives and other key employees to creating long-term stockholder value. It allows for various types of awards tied to the performance of our common stock, including stock options, stock appreciation rights, and restricted stock. The Compensation Committee also administers the WEC Energy Group Performance Unit Plan, under which the Compensation Committee may award performance units. The Compensation Committee primarily uses (1) performance units, including dividend-equivalents, (2) stock options, and (3) restricted stock to deliver long-term incentive opportunities.

Performance Units. Each year, the Compensation Committee makes annual grants of performance units under the Performance Unit Plan. The performance units are designed to provide a form of long-term incentive compensation that aligns the interests of management with those of a typical utility stockholder who is focused not only on stock price appreciation but also on dividends. Payouts are based upon the Company's level of "total stockholder return" (stock price appreciation plus reinvested dividends) in comparison to a peer group of companies over a three-year performance period, and may be adjusted based upon the Company's performance against one or more Additional Performance Measures. The performance units are settled in cash.

Selection of Additional Performance Measure(s). "Additional Performance Measure" is defined as the performance criterion or criteria (if any) that the Compensation Committee selects, in its sole discretion, based upon the attainment of specific levels of performance by WEC Energy Group. Performance units vest in an amount between 0% and 175% of the target award based upon WEC Energy Group's comparative total stockholder return over a three-year performance period. However, the vesting percentage may be adjusted based upon WEC Energy's performance against the Additional Performance Measure(s). The Additional Performance Measure(s), if any, must be selected by the Compensation Committee at the beginning of the three-year performance period. For each year during the performance period, the Compensation Committee will select the target(s) for the Additional Performance Measure(s) and the potential adjustment to the vesting percentage for that year based upon achievement of the Additional Performance Measure(s) relative to the selected target(s). The actual adjustment, if any, to the vesting percentage based upon the Additional Performance Measure(s) will be determined annually. In no event will any adjustment cause the vesting percentage over the three-year performance period to be less than zero.

Short-Term Dividend Equivalents. We increase the number of unvested performance units as of any date that we declare a cash dividend on our common stock by the amount of short-term dividend equivalents a participant is entitled to receive. Short-term dividend equivalents are calculated by multiplying (a) the number of unvested performance units held by a plan participant as of the related dividend record date by (b) the amount of cash dividend payable by the Company on a share of common stock; and (c) dividing the result by the closing price for a share of the Company's common stock on the dividend payment date. In effect, short-term dividend equivalents are credited and accumulated as reinvested dividends on each performance unit so that the performance units and accumulated dividends will be paid out at the end of the three-year performance period, rather than paying out the dividend equivalents annually on unearned performance units.

Short-term dividend equivalents are treated as additional unvested performance units and are subject to the same vesting, forfeiture, payment, termination, and other terms and conditions as the original performance units to which they relate. In addition, outstanding short-term dividend equivalents are treated as unvested performance units for purposes of calculating future short-term dividend equivalents.

Stock Options. Each year, the Compensation Committee also makes annual stock option grants as part of our long-term incentive program. These stock options have an exercise price equal to the fair market value of our common stock on the date of grant and expire on the 10th anniversary of the grant date. Since management benefits from a stock option award only to the extent our stock price appreciates above the exercise price of the stock option, stock options align the interests of management with those of our stockholders in attaining long-term stock price appreciation.

Restricted Stock. The Compensation Committee also awards restricted stock as part of the long-term incentive plan, consistent with market practice. Similar to performance units, restricted stock aligns the interests of management with a typical utility stockholder who is focused on stock price appreciation and dividends.

Aggregate 2019 Long-Term Incentive Awards. Generally, when establishing the target value of long-term incentive awards and the appropriate mix of performance units, stock options, and restricted stock for each NEO, the Compensation Committee reviews the market compensation data and analysis provided by FW Cook. Based upon FW Cook's analysis, for 2019 the Compensation Committee determined that the long-term incentive awards would be weighted 65% performance units, 20% stock options, and 15% restricted stock for Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey. Target values also were presented to and approved by the Compensation Committee in December 2018.

With respect to Messrs. Klappa and Kuester, after consultation with FW Cook, the Compensation Committee determined that their long-term incentive awards would be weighted 80% restricted stock and 20% stock options. At the time, there had not yet been a determination as to the duration of Messrs. Klappa's and Kuester's tenure with the Company other than it would likely be shorter than the other executive officers. Since the vesting percentage of performance units is based upon WEC Energy Group's total stockholder return over a three-year period, the Compensation Committee determined that performance units would not accurately reflect the contributions of Messrs. Klappa and Kuester to the success of the Company over a shorter period of time.

Based upon the market data provided by FW Cook, we customarily target the long-term incentive award to be at or near the market median value of long-term incentive compensation for each executive officer's position. Other than Mr. Kuester, all of the NEOs' long-term incentive awards were within this target range for 2019. The value of Mr. Kuester's 2019 long-term incentive award was set at the same level as his 2018 award, consistent with the commitment the Company made to Mr. Kuester when he agreed to return to the Company.

2019 Stock Option Grants. In December 2018, the Compensation Committee approved the grant of stock options to each of our NEOs and established an overall pool of options that were granted to approximately 200 other employees. The option grants to the NEOs were made effective January 2, 2019, the first trading day of 2019. The options were granted with an exercise price equal to the average of the high and low prices reported on the NYSE for shares of WEC Energy Group common stock on the grant date. The options were granted in accordance with our standard practice of making annual stock option grants effective on the first trading day of each year, and the timing of the grants was not tied to the timing of any release of material information.

These stock options have a term of 10 years and vest 100% on the third anniversary of the date of grant. The vesting of the stock options may be accelerated in connection with a change in control or an executive officer's termination of employment under certain circumstances. See "Potential Payments upon Termination or Change in Control" beginning on page P-57 for additional information. Subject to the limitations of the 1993 Omnibus Stock Incentive Plan, the Compensation Committee has the power to amend the terms of any option (with the participant's consent). However, the Committee may not reduce the exercise price of existing options or cancel outstanding options and grant replacement options having a lower exercise price without stockholder approval.

For purposes of determining the appropriate number of options to grant to a particular NEO, the value of an option was determined based upon the Black-Scholes option pricing model. We use the Black-Scholes option pricing model for purposes of the compensation valuation. The following table provides the number of options granted to each NEO in 2019:

Executive Officer	Options Granted
Mr. Fletcher	44,825
Mr. Klappa	33,180
Mr. Lauber	30,560
Mr. Kuester	51,550
Ms. Kelsey	20,147
Mr. Garvin	14,931

For financial reporting purposes, the stock options granted on January 2, 2019 had a grant date fair value of $8.60 per option.

2019 Restricted Stock Awards. In December 2018, the Compensation Committee also approved the grant of restricted stock to each of our NEOs and established an overall pool of restricted stock that was granted to approximately 200 other employees. The grants to the NEOs were also made effective January 2, 2019 . Other than the shares granted to Messrs. Klappa and Kuester, the restricted stock vests in three equal annual installments beginning on January 2, 2020. The shares of restricted stock granted to Messrs. Klappa and Kuester vest in full on the one year anniversary of the grant date, reflecting the shorter tenure the Committee expected for Messrs. Klappa and Kuester as compared to the other NEOs.

The vesting of the restricted stock may be accelerated in connection with a termination of employment due to a change in control, death or disability, or by action of the Compensation Committee. Messrs. Klappa's and Kuester's restricted stock also fully vested if they resigned for "good reason," defined as a material diminution in their authority, duties or responsibilities, including, but not limited to, the Company's appointment of a successor Chief Executive Officer. See "Potential Payments upon Termination or Change in Control" beginning on page P-57 for additional information. Tax withholding obligations related to vesting may be satisfied, at the option of the executive officer, by withholding shares otherwise deliverable upon vesting or by cash. The NEOs have the right to vote the restricted stock and to receive cash dividends when the Company pays a dividend to our stockholders.

For purposes of determining the appropriate number of shares of restricted stock to grant to a particular NEO, the Compensation Committee used a value of $73.86 per share. This value was based upon the volume-weighted price of WEC Energy Group's common stock for the ten trading days beginning on November 30, 2018, and ending on December 14, 2018. The Compensation Committee uses the volume-weighted price in order to minimize the impact of day-to-day volatility in the stock market.

The measurement period is customarily early- to mid-December for annual awards in order to shorten the timeframe between the calculation of the awards and the actual grant date. The following table provides the number of shares of restricted stock granted to each NEO in 2019:

Executive Officer	Restricted Stock Granted
Mr. Fletcher	3,909
Mr. Klappa	15,434
Mr. Lauber	2,665
Mr. Kuester	23,977
Ms. Kelsey	1,757
Mr. Garvin	1,302

2019 Performance Units. In 2019, the Compensation Committee granted performance units to each of our NEOs (other than Messrs. Klappa and Kuester) and approved a pool of performance units that were granted to approximately 200 other employees. With respect to the 2019 performance units, the amount of the benefit that ultimately vests will be dependent upon the Company's total stockholder return over a three-year period ending December 31, 2021, as compared to the total stockholder return of the custom peer group described below. Total stockholder return is the calculation of total return (stock price appreciation plus reinvestment of dividends) based upon an initial investment of $100 and subsequent $100 investments at the end of each quarter during the three-year performance period. However, the vesting percentage may be adjusted based upon WEC Energy Group's performance against the Additional Performance Measure. For the 2019 performance unit awards, the Compensation Committee selected performance against the weighted average authorized return on equity of all WEC Energy Group's utility subsidiaries as the Additional Performance Measure.

Upon vesting, the performance units will be settled in cash in an amount determined by multiplying the number of performance units that have vested by the closing price of the Company's common stock on the last trading day of the performance period.

The 2019 performance unit peer group against which WEC Energy Group's performance will be measured originally included:

- Alliant Energy Corporation
- Ameren Corporation
- American Electric Power Company
- CMS Energy Corporation
- Consolidated Edison, Inc.
- DTE Energy Co.
- Duke Energy Corp.
- Edison International
- Eversource Energy
- Evergy, Inc.
- FirstEnergy Corp.
- NiSource Inc.
- OGE Energy Corp.
- PG&E Corporation
- Pinnacle West Capital Corp.
- SCANA Corporation
- The Southern Company
- Xcel Energy Inc.

The peer group is chosen by the Compensation Committee, based upon management's recommendation and with the concurrence of FW Cook. This peer group was chosen because we believe these companies are similar to WEC Energy Group in terms of business model and long-term strategies, with a primary focus on regulated utility operations rather than a non-regulated business model. There is significant overlap between the performance unit peer group and the comparison group developed by FW Cook for purposes of benchmarking compensation levels. However, there are several companies that are different among the two groups because FW Cook places significant weight on the financial metrics of the companies included in its comparison group, whereas we focus more on operational measures for the performance unit peer group.

In January 2019, the Compensation Committee determined that SCANA Corporation should be removed from the custom peer group for the outstanding 2017-2019 performance unit awards, and should not be included in any future peer groups. On January 2, 2019, SCANA Corporation was acquired by Dominion Energy, Inc. As a result, SCANA Corporation is no longer a public company. This action is consistent with the Compensation Committee's past decisions to adjust the peer group to account for the impact of mergers and acquisitions.

The required percentile ranking for total stockholder return and the applicable vesting percentage are set forth in the chart below.

Performance Percentile Rank	Vesting Percent
< 25th Percentile	0%
25th Percentile	25%
Target (50th Percentile)	100%
75th Percentile	125%
90th Percentile	175%

If the Company's rank is between the benchmarks identified above, the vesting percentage will be determined by interpolating on a straight line basis the appropriate vesting percentage. Unvested performance units generally are immediately forfeited upon a NEO's cessation of employment with WEC Energy Group prior to completion of the three-year performance period. However, the performance units will vest immediately at the target 100% rate upon the termination of the NEO's employment (1) by reason of disability or death or (2) after a change in control of WEC Energy Group. In addition, a prorated number of performance units (based upon the target 100% rate) will vest upon the termination of employment of the NEO by reason of retirement prior to the end of the three-year performance period.

In response to feedback we received from stockholders, the Compensation Committee amended the Performance Unit Plan, effective January 1, 2017, to provide for an Additional Performance Measure. Similar to the performance units awarded in 2017 and 2018, the Additional Performance Measure for the 2019 performance unit awards is the weighted average authorized return on equity ("ROE") of all WEC Energy Group's utility subsidiaries. In order for WEC Energy Group to meet its earnings per share targets, it is important that our utilities earn at or close to their allowed rates of return. The Company's performance against this measure may increase or decrease the vesting percentage of the performance units up to 10% over the three-year performance period. For the 2017, 2018, and 2019 performance awards, the ROE targets and potential adjustments were set as follows for 2019:

If Actual Annual ROE is	The Annual Adjustment is	ROE Ranges
≤ 20 bp below the Authorized ROE	+ 3.33%	≥ 9.70%
21 - 30 bp below the Authorized ROE	0%	9.69% - 9.60%
> 30 bp below the Authorized ROE	(3.33)%	< 9.60%

WEC Energy Group's utility subsidiaries achieved a weighted average authorized ROE of 10.34% for 2019. This resulted in a 3.33% increase in the vesting percentage of the performance units awarded in January 2019, January 2018 and January 2017.

For purposes of determining the appropriate number of performance units to grant to a particular NEO, the Compensation Committee used a value of $73.86 per unit, the same value used for the restricted stock granted in January 2019.

The following table provides the number of performance units granted to each NEO effective January 2, 2019, at the 100% target level:

Executive Officer	Performance Units Granted
Mr. Fletcher	16,941
Mr. Klappa	—
Mr. Lauber	11,550
Mr. Kuester	—
Ms. Kelsey	7,614
Mr. Garvin	5,643

2019 Payouts under Previously Granted Long-Term Incentive Awards. In 2017, the Compensation Committee granted performance unit awards to participants in the Performance Unit Plan. The terms of the performance units granted in 2017 were substantially similar to those of the performance units granted in 2019 described above. The required percentile ranks for total stockholder return and related vesting schedule were identical to that of the 2019 performance units.

Payouts under the 2017 performance units were based upon our total stockholder return for the three-year performance period ended December 31, 2019 against the same group of peer companies used for the 2019 performance unit awards. The peer group for the 2017 performance unit awards originally included Great Plains Energy, Inc., which combined with Westar Energy, Inc. on June 4, 2018 in a merger of equals that created Evergy, Inc. As a result, the Compensation Committee replaced Great Plains Energy, Inc. with Evergy, Inc. in the 2017 peer group. Also, as stated above, SCANA Corporation was removed from the 2017 - 2019 peer groups.

Our total stockholder return was at the 94th percentile of the peer group for the three-year performance period ended December 31, 2019, resulting in the performance units vesting at a level of 175%. The cumulative three-year impact of the Company's performance against the Additional Performance Measure was a 10% increase in the vesting percentage of the performance units for a total vesting level of 185%. The actual payouts were determined by multiplying the number of vested performance units by the closing price of our common stock ($92.23) on December 31, 2019, the last trading day of the performance period. The actual payout to each NEO (other than Messrs. Klappa and Kuester, and Ms. Kelsey, who did not have any 2017 performance units outstanding) is reflected in the "Option Exercises and Stock Vested for Fiscal Year 2019" table.

COMPENSATION RECOUPMENT POLICY

Accountability is a fundamental value of WEC Energy Group. To reinforce this value through the Company's executive compensation program, the Compensation Committee has adopted a clawback policy that provides for the recoupment of incentive-based compensation in the event WEC Energy Group is required to prepare an accounting restatement due to material noncompliance with any financial reporting requirement under the securities laws (other than restatements permitted as a result of changes in accounting principles or interpretation). Pursuant to the policy, the Compensation Committee will recover from any current or former executive officer who has received incentive-based compensation during the three-year period preceding the date on which WEC Energy Group is required to prepare the accounting restatement, any portion of the incentive-based compensation paid in excess of what would have been paid to the executive officer under the restated financial results. The Company may also recover incentive-based compensation if an executive officer's employment is terminated for cause, or the executive officer violates a noncompetition or other restrictive covenant.

STOCK OWNERSHIP GUIDELINES

The Compensation Committee believes that an important adjunct to the long-term incentive program is significant stock ownership by officers who participate in the program, including the NEOs. Accordingly, the Compensation Committee has implemented stock ownership guidelines requiring officers who participate in the long-term incentive program to hold an amount of Company common stock and other equity-related Company securities that varies depending upon such officer's level.

In addition to shares owned outright, holdings of each of the following are included in determining compliance with our stock ownership guidelines: restricted stock; WEC Energy Group phantom stock units held in the Executive Deferred Compensation Plan; WEC Energy Group stock held in WEC Energy Group's 401(k) plans; performance units at target; and shares held in a brokerage account, jointly with an immediate family member or in a trust.

The guidelines require each executive officer, including the NEOs, to acquire (generally within five years of appointment as an executive officer) and hold common stock and other equity-related securities of the Company having a minimum fair market value ranging from 250% to 600% of base salary. The Compensation Committee believes these stock ownership guidelines discourage unreasonable risk-taking by Company officers.

The Compensation Committee annually reviews whether executive officers are in compliance with these guidelines. The last review was completed in October 2019. The Compensation Committee determined that all NEOs are in compliance, or making sufficient progress towards compliance, with these guidelines.

PROHIBITION ON HEDGING AND PLEDGING

WEC Energy Group's Corporate Securities Trading Policy prohibits the use of any strategies or products, including derivatives and short-selling techniques, to hedge against potential changes in the value of WEC Energy Group's common stock. The policy, which is applicable to all directors and active employees of the Company, including the NEOs, also prohibits the holding of WEC Energy Group securities in a margin account, as well as the pledging of WEC Energy Group securities as collateral for a loan.

LIMITED TRADING WINDOWS

Officers, including the NEOs, other identified employees, and the Company's directors may only transact in WEC Energy Group securities during approved trading windows after satisfying mandatory pre-clearance requirements.

RETIREMENT PROGRAMS

We also maintain retirement plans in which our NEOs participate: a defined benefit pension plan of the cash balance type, a supplemental pension plan, individual letter agreements with some of the NEOs, a 401(k) plan, and a non-qualified retirement savings plan. We believe our retirement plans are a valuable benefit in the attraction and retention of our employees, including the NEOs. We believe that providing a foundation for long-term financial security for our employees, beyond their employment with the Company, is a valuable component of our overall compensation program which will inspire increased loyalty and improved performance. For more information about our retirement plans, see "Pension Benefits at Fiscal Year-End 2019" and "Retirement Plans."

OTHER BENEFITS, INCLUDING PERQUISITES

We provide our executive officers, including the NEOs, with employee benefits and a limited number of perquisites. Except as specifically noted elsewhere in this proxy statement, the employee benefits programs in which executive officers participate (which provide benefits such as medical coverage, retirement benefits, annual contributions to a qualified savings plan, and moving and relocation costs) are generally the same programs offered to substantially all of the Company's management employees.

The perquisites made available to executive officers include financial planning, membership in a service that provides health care and safety management when traveling outside the United States, reimbursement for expenses related to annual physical exam costs not covered by insurance, and limited spousal travel for business purposes. The Company also pays periodic dues and fees for club memberships for certain of the NEOs and other designated officers.

We customarily review market data regarding executive perquisite practices on an annual basis. For 2019, the Compensation Committee again reviewed our package of perquisites with FW Cook and decided not to make any changes. WEC Energy Group has a legacy group of executives who are still eligible for gross-ups. We reimburse those executives for taxes paid on income attributable to the financial planning benefits provided to the executives only if the executive uses the Company's identified preferred provider, AYCO. We believe the use of the preferred financial adviser provides administrative benefits and eases communication between Company personnel and the financial adviser.

We pay periodic dues and fees for certain club memberships as we have found that the use of these facilities helps foster better customer and community relationships. Officers, including the NEOs, are expected to use clubs for which the Company pays dues primarily for business purposes. We do not pay any additional expenses incurred for personal use of these facilities, and officers are required to reimburse the Company to the extent that it pays for any such personal use. The total annual club dues are included in the "Summary Compensation Table." We do not permit personal use of the airplane available to the Company. We do allow spousal travel if an executive's spouse is accompanying the executive on business travel and the airplane is not fully utilized by Company personnel. There is no incremental cost to the Company for this travel, other than the reimbursement for taxes paid on imputed income attributable to the executives for this perquisite, as the airplane cost is the same regardless of whether or not an executive's spouse travels. Any tax reimbursement is subject to the Company's Tax Gross-Up Policy discussed below.

In addition, each of our executive officers is eligible to participate in an officer life insurance benefit. If an executive officer chooses to participate, upon such officer's death while employed by the Company, a benefit is paid to his or her designated beneficiary in an amount equal to the value of three times the officer's base salary at the time of death.

TAX GROSS-UP POLICY

The Compensation Committee adopted a formal policy that prohibits entry into any contract, agreement, or arrangement with any officer of the Company that obligates the Company to pay directly or reimburse the officer for any portion of the officer's individual tax liability for benefits provided by the Company. Excluded from this policy are (1) agreements or arrangements entered into prior to December 2014 when the policy was adopted, (2) agreements or arrangements entered into prior to, and assumed by the Company in connection with, any merger or acquisition, or (3) plans or policies applicable to Company employees generally.

This policy formalized the Compensation Committee's policy that had been in place since July 2011 to eliminate tax gross-ups on perquisites provided by the Company to its officers (except to officers who were already receiving gross-ups as of July 2011). Of the NEOs, Messrs. Lauber and Garvin were receiving gross-ups from the Company prior to July 2011.

In light of Mr. Klappa's and Mr. Kuester's retirements in May 2016 and January 2013, respectively, and subsequent return to the Company as executive officers in 2017 and 2018, respectively, both Mr. Klappa and Mr. Kuester were deemed new employees for benefits purposes and are not eligible to receive gross-ups.

SEVERANCE BENEFITS AND CHANGE IN CONTROL

Messrs. Klappa, Lauber, Kuester, and Garvin have not entered into an employment agreement that provides for severance and change in control benefits. However, they are eligible to participate in the Company's Severance Pay Plan. Mr. Fletcher and Ms. Kelsey each entered into employment agreements with the Company, which include severance provisions. For a discussion of the severance benefits available under these agreements, and to our executive officers generally, see "Potential Payments upon Termination or Change in Control."

In addition, our supplemental pension plan provides that in the event of a change in control, participants will be entitled to a lump sum payment of amounts due under the plan if employment is terminated within 18 months of the change in control.

IMPACT OF PRIOR COMPENSATION

The Compensation Committee does not believe it is appropriate to consider the amounts realized or realizable from prior incentive compensation awards when establishing future levels of short-term and long-term incentive compensation.

SECTION 162(m) OF THE INTERNAL REVENUE CODE

In the past, certain components of the Company's compensation program were designed to ensure the deductibility of compensation based on tax regulations in effect at the time the compensation was awarded, including Section 162(m). Section 162(m) of the Internal Revenue Code limits the deductibility of certain executives' compensation that exceeds $1,000,000 per year. For tax years prior to 2018, compensation over $1,000,000 per year could be deducted by the Company if such compensation was performance-based under Section 162(m) and issued through a plan that had been approved by stockholders. Starting with compensation awarded in 2018, the Tax Cuts and Jobs Act of 2017 eliminated the performance-based compensation exception under 162(m) for compensation over $1,000,000.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

The Compensation Committee

Ulice Payne, Jr, Committee Chair
William M. Farrow III
Thomas J. Fischer

Executive Compensation Tables

The following table summarizes total compensation awarded to, earned by, or paid to WEC Energy Group's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and each of the other individuals identified in the table below (the "NEOs").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards[4] ($)	Option Awards[5] ($)	Non-Equity Incentive Plan Compensation[6] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[7] ($)	All Other Compensation[8][9] ($)	Total ($)	Total Without Change in Pension Value ($)
J. Kevin Fletcher President and Chief Executive Officer	2019	975,939	—	1,421,449	385,495	2,433,884	3,958,141	87,193	9,262,101	5,349,308
	2018	504,733	—	521,122	109,816	792,078	739,652	52,100	2,719,501	2,023,895
	2017	436,800	—	535,648	137,199	633,095	1,198,310	44,062	2,985,114	1,800,225
Gale E. Klappa[1] Executive Chairman	2019	1,039,231	—	1,052,213	285,348	2,147,112	3,319,763	360,277	8,203,944	5,012,243
	2018	1,425,000	—	3,763,383	793,166	3,541,124	158,568	181,752	9,862,993	9,862,993
	2017	2,225,000	—	250,012	—	—	2,529,057	27,102	5,031,171	2,593,579
Scott J. Lauber Senior Executive Vice President and CFO	2019	624,904	—	969,107	262,816	1,012,500	179,895	93,413	3,142,635	2,983,624
	2018	574,711	—	858,790	229,716	952,418	22,857	76,186	2,714,678	2,714,678
	2017	467,321	—	534,890	137,001	764,441	93,343	66,124	2,063,120	1,977,525
Frederick D. Kuester[2] Senior Executive Vice President	2019	804,846	—	1,634,632	443,330	1,385,606	1,321,225	151,184	5,740,823	4,448,830
	2018	638,481	—	1,476,294	297,827	1,267,350	33,485	266,998	3,980,435	3,980,435
Margaret C. Kelsey[2] Executive Vice President, General Counsel and Corporate Secretary	2019	540,651	—	638,867	173,264	821,263	162	123,830	2,298,037	2,298,037
	2018	515,000	—	596,445	159,538	746,535	41	88,223	2,105,782	2,105,782
Robert M. Garvin Executive Vice President - External Affairs	2019	457,956	50,000[3]	473,476	128,407	602,869	95,348	79,102	1,887,158	1,795,310
	2018	441,462	—	477,354	127,639	594,226	75,976	74,203	1,790,860	1,717,450
	2017	428,604	—	437,987	112,203	578,855	80,450	66,394	1,704,493	1,624,043

Note: In order to show the effect that the year-over-year change in pension value had on total compensation, as determined under applicable SEC rules, we have included an additional column to show total compensation minus the change in pension value. The amounts reported in the Total Without Change in Pension Value column may differ substantially from the amounts reported in the Total column required under SEC rules and are not a substitute for total compensation. Total Without Change in Pension Value represents total compensation, as determined under applicable SEC rules, minus the change in pension value reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column. The change in pension value is subject to many external variables, such as interest rates, that are not related to Company performance. Therefore, we believe that total compensation minus the change in pension value provides helpful additional information for comparative purposes.

(1) Mr. Klappa served as CEO of WEC Energy Group until February 1, 2019, which is also the effective date of Mr. Fletcher's appointment as CEO.

(2) Mr. Kuester, who was named Senior Executive Vice President effective March 1, 2018, and Ms. Kelsey, who was named Executive Vice President, General Counsel and Corporate Secretary effective January 1, 2018, became named executive officers in 2018. Therefore, no information has been provided for 2017 for either officer.

(3) Reflects the adjustment made by the Compensation Committee to Mr. Garvin's 2019 STPP award to recognize Mr. Garvin's significant individual contributions and commitment to advancing the Company's legislative and regulatory matters in all four state jurisdictions.

(4) The amounts reported reflect the aggregate grant date fair value, as computed in accordance with FASB ASC Topic 718 excluding estimated forfeitures, of performance units and/or restricted stock awarded to each NEO in the respective year for which such amounts are reported. The amounts reported for the performance units are based upon the probable outcome as of the grant date of associated performance and market conditions, and are consistent with our estimate, as of the grant date, of aggregate compensation cost to be recognized over the three-year performance period. The actual value received by the executives from these awards may range from $0 to greater than the reported amounts, depending upon the Company's performance and the executive's number of additional years of service with the Company.

The value of the performance unit awards as of the grant date, assuming achievement of the highest level of performance and excluding any performance units resulting from short-term dividend equivalents and the Additional Performance Measure, for each of Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey, is $2,021,184, $1,378,021, $673,228, and $908,432, respectively, for the 2019 awards. The value of the performance unit awards as of the grant date, assuming achievement of the highest level of performance and excluding any performance units resulting from short-term dividend equivalents and the Additional Performance Measure, for each of Messrs. Fletcher, Lauber ,and Garvin, and Ms. Kelsey, is $741,084, $1,221,145, $678,700, and $847,963, respectively, for the 2018 awards. See "Option Exercises and Stock Vested For Fiscal Year 2019" for the amount of the actual payout with respect to the 2017 award of performance units. Not included are the performance unit awards resulting from short-term dividend equivalents and/or the Additional Performance Measure that may increase or, in the case of the Additional Performance Measure, decrease these amounts.

(5) The amounts reported reflect the aggregate grant date fair value, as computed in accordance with FASB ASC Topic 718 excluding estimated forfeitures, of options awarded to each NEO in the respective year for which such amounts are reported. The actual value received by the executives from these awards may range from $0 to greater than the reported amounts, depending upon Company performance. In accordance with FASB ASC Topic 718, we made certain assumptions in our calculation of the grant date fair value of the stock options. See "Stock Options" in Note 1(l) -- Stock-Based Compensation, in the Notes to Consolidated Financial Statements in our 2019 Annual Report on Form 10-K for a description of these assumptions. For 2019, the assumptions made in connection with the valuation of the stock options are the same as described in Note 1(l).

(6) Consists of the annual incentive compensation earned under WEC Energy Group's STPP.

(7) The amounts reported for 2019, 2018, and 2017 reflect the aggregate change in the actuarial present value of each applicable NEO's accumulated benefit under all defined benefit plans from December 31, 2018 to December 31, 2019, December 31, 2017 to December 31, 2018, and December 31, 2016 to December 31, 2017, respectively. The amounts reported for all three years also include above-market earnings on compensation that is deferred by the NEOs into the Prime Rate Fund under WEC Energy Group's Executive Deferred Compensation Plan. Above-market earnings represent the difference between the interest rate used to calculate earnings under the Plan and 120% of the applicable federal long-term rate prescribed by the Internal Revenue Code. The amounts earned for 2019 are shown below.

Name	**Change in Pension Value** ($)	**Non-Qualified Deferred Compensation Earnings** ($)	**Total** ($)
J. Kevin Fletcher	3,912,793	45,348	3,958,141
Gale E. Klappa	3,191,701	128,062	3,319,763
Scott J. Lauber	159,011	20,884	179,895
Frederick D. Kuester	1,291,993	29,232	1,321,225
Margaret C. Kelsey	—	162	162
Robert M. Garvin	91,848	3,500	95,348

For 2019, 2018, and 2017, the applicable discount rate used to value pension plan liabilities moved from 4.30% to 3.40%, 3.65% to 4.30%, and 4.15% to 3.65%, respectively. As the discount rate decreases, the Company's pension funding obligation increases, and vice versa. The changes in the actuarial present values of the NEOs' pension benefits do not constitute cash payments to the NEOs.

The pension values reported represent only WEC Energy Group's obligation of the aggregate change in the actuarial present value of each NEO's accumulated benefit under all defined benefit plans. Messrs. Fletcher, Klappa, and Kuester are entitled to receive pension benefits from prior employers. To the extent such prior employers are unable to pay their pension obligations, WEC Energy Group may be obligated to pay the total amount.

(8) During 2019, each NEO received financial planning services and the cost of an annual physical exam; Messrs. Fletcher, Klappa, and Lauber were provided with membership in a service that provides healthcare and safety management when traveling outside the United States. Although Mr. Klappa utilized the benefit of spousal travel for business purposes in 2019, there was no associated cost to the Company as Mr. Klappa was not eligible to receive reimbursement for taxes paid on imputed income attributable to him for such travel.

(9) For Mr. Klappa, the amount reported in All Other Compensation for 2019 includes $24,562 attributable to WEC Energy Group's Directors' Charitable Awards Program in connection with Mr. Klappa's service on the Company's Board. See "Director Compensation" for a description of the Directors' Charitable Awards Program.

All Other Compensation for Messrs. Fletcher, Klappa, Lauber, and Garvin, and Ms. Kelsey, for 2019 also consists of:

- Employer matching of contributions into the WEC Energy Group 401(k) plan in the amount of $11,200 for each NEO;
- Employer contributions into the WEC Energy Group 401(k) plan in the amount of $16,800 for Messrs. Klappa and Kuester, and Ms. Kelsey, and into the WEC Energy Group Non-Qualified Retirement Savings Plan in the amount of $259,002 for Mr. Klappa, $107,439 for Mr. Kuester, and $60,372 for Ms. Kelsey. These payments are in lieu of participation in the Company's pension plan;
- "Make-whole" payments under the Executive Deferred Compensation Plan that provides a match at the same level as the WEC Energy Group 401(k) plan (4% for up to 7% of wages) for all deferred salary and bonus not otherwise eligible for a match in the amounts of $59,053 for Mr. Fletcher, $32,415 for Mr. Klappa, $51,854 for Mr. Lauber, $17,758 for Ms. Kelsey, and $30,862 for Mr. Garvin; and
- Tax reimbursements or "gross-ups" for all applicable perquisites in the amount of $13,963 and $16,603 for Messrs. Lauber and Garvin.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2019

The following table shows additional data regarding incentive plan awards to the NEOs in 2019.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2)			Estimated Future Payouts Under Equity Incentive Plan Awards (3)				All Other Option Awards (5)			
Name	Grant Date	Action Date (1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (4) (#)	Number of Securities Underlying Options (#)	Exercise or Base Price (6) ($/Sh)	Closing Market Price ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
J. Kevin Fletcher	1/17/19	—	300,480	1,201,918	2,524,028	—	—	—	—	—	—	—	—
	1/2/19	12/6/18	—	—	—	4,235	16,941	29,647	—	—	—	—	1,154,953
	1/2/19	12/6/18	—	—	—	—	—	—	3,909	—	—	—	266,496
	1/2/19	12/6/18	—	—	—	—	—	—	—	44,825	68.175	67.58	385,495
Gale E. Klappa	1/17/19	—	265,076	1,060,302	2,226,634	—	—	—	—	—	—	—	—
	1/2/19	12/6/18	—	—	—	—	—	—	15,434	—	—	—	1,052,213
	1/2/19	12/6/18	—	—	—	—	—	—	—	33,180	68.175	67.58	285,348
Scott J. Lauber	1/17/19	—	125,000	500,000	1,050,000	—	—	—	—	—	—	—	—
	1/2/19	12/6/18	—	—	—	2,888	11,550	20,213	—	—	—	—	787,421
	1/2/19	12/6/18	—	—	—	—	—	—	2,665	—	—	—	181,686
	1/2/19	12/6/18	—	—	—	—	—	—	—	30,560	68.175	67.58	262,816
Frederick D. Kuester	1/17/19	—	171,063	684,250	1,436,925	—	—	—	—	—	—	—	—
	1/2/19	12/6/18	—	—	—	—	—	—	23,977	—	—	—	1,634,632
	1/2/19	12/6/18	—	—	—	—	—	—	—	51,550	68.175	67.58	443,330
Margaret C. Kelsey	1/17/19	—	101,391	405,562	851,680	—	—	—	—	—	—	—	—
	1/2/19	12/6/18	—	—	—	1,904	7,614	13,325	—	—	—	—	519,084
	1/2/19	12/6/18	—	—	—	—	—	—	1,757	—	—	—	119,783
	1/2/19	12/6/18	—	—	—	—	—	—	—	20,147	68.175	67.58	173,264
Robert M. Garvin	1/17/19	—	74,428	297,713	625,197	—	—	—	—	—	—	—	—
	1/2/19	12/6/18	—	—	—	1,411	5,643	9,875	—	—	—	—	384,712
	1/2/19	12/6/18	—	—	—	—	—	—	1,302	—	—	—	88,764
	1/2/19	12/6/18	—	—	—	—	—	—	—	14,931	68.175	67.58	128,407

(1) On December 6, 2018, the Compensation Committee awarded the 2019 option, restricted stock, and performance unit grants effective the first trading day of 2019 (January 2, 2019).

(2) Non-equity incentive plan awards consist of annual incentive awards under WEC Energy Group's STPP. For a more detailed description of the STPP, see the Compensation Discussion and Analysis.

(3) Consists of performance units awarded under the WEC Energy Group Performance Unit Plan. WEC Energy Group's Performance Unit Plan provides for short-term dividend equivalents. The number of performance units awarded will be increased as of any date that WEC Energy Group declares a cash dividend on its common stock by the amount of short-term dividend equivalents awarded. In effect, short-term dividend equivalents will be credited and accumulated as reinvested dividends on each performance unit so that the performance units and accumulated dividends will be paid out at the end of the performance units' three-year performance period, contingent upon the Company's performance. Therefore, the number of performance units reported at each of the threshold, target, and maximum levels in this table will increase by the number of short-term dividend equivalents earned. In addition, these amounts do not reflect any potential impact of the Company's performance against the Additional Performance Measure. For a more detailed description of the performance units, short-term dividend equivalents, and Additional Performance Measure, see the Compensation Discussion and Analysis.

(4) Consists of restricted stock awarded under the 1993 Omnibus Stock Incentive Plan. For a more detailed description of the terms of the restricted stock, see the Compensation Discussion and Analysis.

(5) Consists of non-qualified stock options to purchase shares of WEC Energy Group common stock pursuant to the 1993 Omnibus Stock Incentive Plan. For a more detailed description of the terms of the options, see the Compensation Discussion and Analysis.

(6) The exercise price of the option awards is equal to the fair market value of WEC Energy Group's common stock on the date of grant. Fair market value is the average of the high and low prices of WEC Energy Group common stock, which is listed on the New York Stock Exchange, reported by Bloomberg, LLP on the grant date.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2019

The following table reflects the number and value of exercisable and unexercisable options as well as the number and value of other equity awards held by the NEOs at fiscal year-end 2019.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options: Exercisable (#)	Number of Securities Underlying Unexercised Options: Unexercisable [(1)] (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested [(2)] (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested [(3)] ($)
J. Kevin Fletcher	—	17,345	—	58.305	1/3/27	—	—	—	—
	—	16,055	—	66.015	1/2/28	—	—	—	—
	—	44,825	—	68.175	1/2/29	—	—	—	—
	—	—	—	—	—	5,469	504,406	—	—
	—	—	—	—	—	—	—	12,167	1,122,162
	—	—	—	—	—	—	—	31,063	2,864,940
Gale E. Klappa	50,000	—	—	52.895	1/2/25	—	—	—	—
	190,830	—	—	50.925	1/4/26	—	—	—	—
	—	115,960	—	66.015	1/2/28	—	—	—	—
	—	33,180	—	68.175	1/2/29	—	—	—	—
	—	—	—	—	—	15,434	1,423,478	—	—
Scott J. Lauber	5,000	—	—	41.025	1/2/24	—	—	—	—
	5,330	—	—	52.895	1/2/25	—	—	—	—
	6,720	—	—	50.925	1/4/26	—	—	—	—
	—	17,320	—	58.305	1/3/27	—	—	—	—
	—	26,465	—	66.015	1/2/28	—	—	—	—
	—	30,560	—	68.175	1/2/29	—	—	—	—
	—	—	—	—	—	4,864	448,607	—	—
	—	—	—	—	—	—	—	20,047	1,848,935
	—	—	—	—	—	—	—	21,178	1,953,247
Frederick D. Kuester	—	50,055	—	59.99	3/1/28	—	—	—	—
	—	51,550	—	68.175	1/2/29	—	—	—	—
	—	—	—	—	—	23,977	2,211,399	—	—
Margaret C. Kelsey	—	18,380	—	66.015	1/2/28	—	—	—	—
	—	20,147	—	68.175	1/2/29	—	—	—	—
	—	—	—	—	—	2,887	266,268	—	—
	—	—	—	—	—	—	—	13,921	1,283,934
	—	—	—	—	—	—	—	13,961	1,287,623
Robert M. Garvin	33,910	—	—	37.46	1/2/23	—	—	—	—
	24,665	—	—	41.025	1/2/24	—	—	—	—
	14,270	—	—	52.895	1/2/25	—	—	—	—
	17,210	—	—	50.925	1/4/26	—	—	—	—
	—	14,185	—	58.305	1/3/27	—	—	—	—
	—	14,705	—	66.015	1/2/28	—	—	—	—
	—	14,931	—	68.175	1/2/29	—	—	—	—
	—	—	—	—	—	2,675	246,715	—	—
	—	—	—	—	—	—	—	11,142	1,027,627
	—	—	—	—	—	—	—	10,347	954,304

(1) All options reported in this column were granted ten years prior to their respective expiration date and vest 100% on the third anniversary of the grant date.

(2) Effective January 3, 2017, Messrs. Fletcher, Lauber, and Garvin were granted restricted stock awards of 1,722; 1,719; and 1,407 shares, respectively, which began vesting in three equal annual installments on January 3, 2018. Effective January 2, 2018, Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey, were granted restricted stock awards of 1,479; 2,439; 1,356; and 1,695 shares, respectively, which began vesting in three equal annual installments on January 2, 2019. Effective January 2, 2019, Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey, were granted restricted stock awards of 3,909; 2,665; 1,302; and 1,757 shares, respectively, which began vesting in three equal annual installments on January 2, 2020. Effective January 2, 2019, Messrs. Klappa and Kuester were granted restricted stock awards of 15,434 and 23,977, respectively, which vested 100% on January 2, 2020. The vesting of the restricted stock granted to Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey, may be accelerated in connection with a termination of employment due to a change in control, death or disability, or by action of the Compensation Committee.

(3) The number of performance units reported were awarded in 2018 (first line) and 2019 (second line) and vest at the end of the three-year performance period ending December 31, 2020 and December 31, 2021, respectively. The number of performance units reported and their corresponding value are based upon a payout at the maximum amount for both 2018 and 2019. The number and value of the 2018 performance units includes performance units resulting from the grant of short-term dividend equivalents and achievement of the Additional Performance Measure in 2018 and

2019. The number and value of the 2019 performance units includes performance units resulting from the grant of short-term dividend equivalents and achievement of the Additional Performance Measure in 2019.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL YEAR 2019

This table shows the number and value of (1) stock options that were exercised by the NEOs, (2) restricted stock awards that vested, and (3) performance units that vested in 2019.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise [1] ($)	Number of Shares Acquired on Vesting [2] (#)	Value Realized on Vesting [3][4] ($)
J. Kevin Fletcher	27,105	1,188,037	1,480	100,574
	—	—	15,169	1,399,079
Gale E. Klappa	608,855	25,174,929	60,164	4,131,697
	—	—	—	—
Scott J. Lauber	14,570	671,125	1,581	107,521
	—	—	15,149	1,379,204
Frederick D. Kuester	—	—	24,609	1,867,945
	—	—	—	—
Margaret C. Kelsey	—	—	565	38,519
	—	—	—	—
Robert M. Garvin	—	—	1,420	96,498
	—	—	12,406	1,144,189

(1) Value realized upon the exercise of options is determined by multiplying the number of shares received upon exercise by the difference between the market price of WEC Energy Group common stock at the time of exercise and the exercise price.

(2) Reflects the number of shares of restricted stock that vested in 2019 (first line) and, the number of performance units that vested as of December 31, 2019, the end of the applicable three-year performance period (second line). The performance units were settled in cash.

(3) Restricted stock value realized is determined by multiplying the number of shares of restricted stock that vested by the fair market value of WEC Energy Group common stock on the date of vesting. We compute fair market value as the average of the high and low prices of WEC Energy Group common stock reported by Bloomberg, LLP on the vesting date.

(4) Performance units value realized is determined by multiplying the number of performance units that vested by the closing market price of WEC Energy Group common stock on December 31, 2019, the last trading day of the year.

PENSION BENEFITS AT FISCAL YEAR-END 2019

The following table sets forth information for each NEO regarding their pension benefits at fiscal year-end 2019 under WEC Energy Group's three different retirement plans discussed below.

Name	Plan Name	Number of Years Credited Service [1] (#)	Present Value of Accumulated Benefit [5][6] ($)	Payments During Last Fiscal Year[7] ($)
J. Kevin Fletcher	WEC Energy Group Plan	8.17	168,404	—
	SERP	8.17	406,447	—
	Individual Letter Agreement	42.75	9,114,487	—
Gale E. Klappa[2]	WEC Energy Group Plan	13.0	286,130	—
	SERP	—	3,403,143	263,731
	Individual Letter Agreement	38.67	23,867,452	1,849,639
Scott J. Lauber	WEC Energy Group Plan	29.50	612,353	—
	SERP	29.50	217,531	—
	Individual Letter Agreement	—	—	—
Frederick D. Kuester[3]	WEC Energy Group Plan	—	—	—
	SERP	9.17	913,465	61,740
	Individual Letter Agreement	40.33	9,791,300	661,782
Margaret C. Kelsey[4]	WEC Energy Group Plan	—	—	—
	SERP	—	—	—
	Individual Letter Agreement	—	—	—
Robert M. Garvin	WEC Energy Group Plan	8.67	179,963	—
	SERP	8.67	366,364	—
	Individual Letter Agreement	8.67	79,432	—

(1) Years of service are computed as of December 31, 2019, the pension plan measurement date used for financial statement reporting purposes. Mr. Fletcher has been credited with 34.58 years of service pursuant to the terms of his Individual Letter Agreement ("ILA"). Prior to his retirement in May 2016, Mr. Klappa was credited with 25.67 years of service pursuant to the terms of his ILA. Prior to his retirement in January 2013, Mr. Kuester was credited with 31.16 years of service pursuant to the terms of his ILA. The increase in the aggregate amount of each of Messrs. Fletcher's, Klappa's, and Kuester's accumulated benefit under all of WEC Energy Group's retirement plans resulting from the additional years of credited service is $7,416,200, $20,981,171, and $8,192,804, respectively.

(2) Upon his retirement in May 2016, Mr. Klappa's ILA terminated. At that time, the number of years of credited service and the accumulated benefit effectively transferred to the WEC Energy Group Plan and the SERP. Payments related to the ILA were actually paid under the WEC SERP. Mr. Klappa is not accruing additional benefits under these plans in connection with his current service.

(3) Upon his retirement in January 2013, Mr. Kuester's ILA terminated. At that time, the number of years of credited service and the accumulated benefit effectively transferred to the WEC Energy Group Plan and the SERP. Payments related to the ILA were actually paid under the WEC SERP. Mr. Kuester is not accruing additional benefits under these plans in connection with his current service.

(4) Ms. Kelsey is not eligible to receive pension benefits under the WEC Energy Group Plan.

(5) The key assumptions used in calculating the actuarial present values reflected in this column are:

- Earliest projected unreduced retirement age based upon projected service:
  - For Mr. Fletcher, age 65.
  - For Mr. Klappa, age 65.67 (actual age at retirement in 2016).
  - For Mr. Lauber, age 60.
  - For Mr. Kuester, age 62.42 (actual age at retirement in 2013).
  - For Mr. Garvin, age 54.75.
- Discount rate of 3.40%.
- Cash balance interest crediting rate of 5.00%.
- Form of payment:
  - Mr. Fletcher: WEC Energy Group Plan 50% lump sum / 50% life annuity; SERP and ILA - Life annuity.
  - Mr. Klappa's actual form of payment elected at retirement: WEC Energy Group Plan, SERP, and ILA - Single Life annuity
  - Mr. Lauber: WEC Energy Group Plan 50% lump sum / 50% life annuity; SERP - Ten Year Annual Installment
  - Mr. Kuester's actual form of payment elected at retirement: WEC Energy Group Plan - Lump Sum; SERP and ILA - 50% Joint & Survivor annuity
  - Mr. Garvin: WEC Energy Group Plan 50% lump sum / 50% life annuity; SERP and ILA - Five Year Annual Installment.
- Mortality Table for life annuity - Pri-2012/ Male/White Collar with modified MP2019 projection.

(6) WEC Energy Group's pension benefit obligations to Messrs. Fletcher, Klappa, and Kuester will be partially offset by pension benefits they are entitled to receive from their former employers. The amounts reported for Messrs. Fletcher, Klappa, and Kuester represent only WEC Energy Group's obligation of the aggregate actuarial present value of each of their accumulated benefit under all of the plans. The total aggregate actuarial present value of each of Messrs. Fletcher's, Klappa's, and Kuester's accumulated benefit under all of the plans is $12,364,163, $32,273,802, and $14,075,320, respectively, $2,674,825, $4,717,077, and $3,370,555 of which we estimate the prior employer is obligated to pay. If Messrs. Fletcher, Klappa, and Kuester's former employer becomes unable to pay its portion of his respective accumulated pension benefit, WEC Energy Group may be obligated to pay the total amount.

(7) Messrs. Klappa and Kuester continued to receive retirement benefits under the SERP; however, payments under the WEC Energy Group Plan were suspended for Mr. Klappa at the time he resumed his role as an executive officer with the Company. Mr. Kuester's entire WEC Energy Group Plan balance was previously paid in the form of a lump sum; therefore no further benefit exists for him in this plan.

RETIREMENT PLANS

WEC Energy Group maintains four different plans providing for retirement payments and benefits for the NEOs: a defined benefit pension plan of the cash balance type ("WEC Energy Group Plan"); a supplemental executive retirement plan ("SERP"); ILAs; and the WEC Energy Group Retirement Savings Plan, which is a 401(k) plan, for those individuals who are not eligible to participate in the WEC Energy Group Plan. The compensation currently considered for purposes of the retirement plans (other than the WEC Energy Group Plan and SERP) for Mr. Fletcher is $1,300,835. This amount represents the average compensation (consisting of base salary and annual incentive compensation) for the 36 highest consecutive months. For Messrs. Lauber and Garvin, the compensation considered for purposes of the retirement plans is $1,577,322 and $1,052,182, respectively, of which $280,000 is applied to the WEC Energy Group Plan and the remainder to the SERP. These amounts represent their 2019 base salary, plus their 2018 STPP award paid in 2019. As of December 31, 2019, Messrs. Fletcher, Lauber, and Garvin currently have or are considered to have 42.75, 29.5, and 8.67 credited years of service, respectively, under the various plans described below. Messrs. Lauber and Garvin were not granted additional years of credited service.

See below for a discussion of the contributions made to the WEC Energy Group Retirement Savings Plan on behalf of Messrs. Klappa and Kuester, and Ms. Kelsey, who do not participate in the WEC Energy Group Plan.

The WEC Energy Group Plan

Most regular full-time and part-time employees, including several of the NEOs, participate in the WEC Energy Group Plan. The WEC Energy Group Plan bases a participant's defined benefit pension on the value of a hypothetical account balance. For individuals participating in the WEC Energy Group Plan as of December 31, 1995, a starting account balance was created equal to the present value of the benefit accrued as of December 31, 1994, under the plan benefit formula prior to the change to a cash balance approach. That formula provided a retirement income based on years of credited service and average compensation (consisting of base salary and annual incentive compensation) for the 36 highest consecutive months, with an adjustment to reflect the Social Security integrated benefit. In addition, individuals participating in the WEC Energy Group Plan as of December 31, 1995, received a special one-time transition credit amount equal to a specified percentage varying with age multiplied by credited service and 1994 base pay.

The present value of the accrued benefit as of December 31, 1994, plus the transition credit, was also credited with interest at a stated rate. For 1996 through 2007, a participant received annual credits to the account equal to 5% of base pay (including WEC Energy Group 401(k) plan pre-tax deferrals and other items), plus an interest credit on all prior accruals equal to 4% plus 75% of the annual time-weighted trust investment return for the year in excess of 4%. From 2008 through 2013, the interest credit percentage was set at either the long-term corporate bond third segment rate, published by the Internal Revenue Service, or 4%, whichever was greater.

Effective January 1, 2014, participants receive an annual credit to the account equal to 6% of base pay (including WEC Energy Group 401(k) plan pre-tax deferrals and other items), plus an interest credit on all prior accruals equal to a 5% fixed rate. For participants in the WEC Energy Group Plan on December 31, 2007 and December 31, 2013, their WEC Energy Group Plan benefit will never be less than the benefit accrued as of December 31, 2007 and December 31, 2013, respectively. The WEC Energy Group Plan benefit will be calculated under all three formulas to provide participants with the greater benefit; however, in calculating a participant's benefit accrued as of December 31, 2007 and December 31, 2013, interest credits as defined under each of the prior WEC Energy Group Plan formulas will be taken into account but not any additional pay credits.

Participants who were "grandfathered" as of December 31, 1995, as discussed below, will still receive the greater of the grandfathered benefit or the cash balance benefit.

The life annuity payable under the WEC Energy Group Plan is determined by converting the hypothetical account balance credits into annuity form.

Individuals who were participants in the WEC Energy Group Plan on December 31, 1995 were "grandfathered" so that they will not receive any lower retirement benefit than would have been provided under the formula in effect through December 31, 1995, had it continued. This amount continued to increase until December 31, 2010, at which time it was frozen. Upon retirement, participants will receive the greater of this frozen amount or the accumulated cash balance.

For Mr. Lauber, estimated benefits under the grandfathered formula are higher than under the cash balance plan formula. Messrs. Fletcher and Garvin do not participate in the grandfathered formula.

Under the WEC Energy Group Plan, participants receive unreduced pension benefits upon reaching one of the following three thresholds: (1) age 65; (2) age 62 with 30 years of service; or (3) age 60 with 35 years of service.

Pursuant to the Internal Revenue Code, only $280,000 of pension eligible earnings (base pay and annual incentive compensation) could be considered for purposes of the WEC Energy Group Plan in 2019.

Supplemental Executive Retirement Plans and Individual Letter Agreements

Designated officers of WEC Energy Group, including all of the NEOs (other than Ms. Kelsey) participate in the SERP, which is part of the Supplemental Pension Plan (the "SPP") adopted to comply with Section 409A of the Internal Revenue Code. The SERP provides monthly supplemental pension benefits to participants, which will be paid out of unsecured corporate assets, or the grantor trust described below, in an amount equal to the difference between the actual pension benefit payable under the WEC Energy Group Plan and what such pension benefit would be if calculated without regard to any limitation imposed by the Internal Revenue Code on pension benefits or covered compensation, including amounts deferred to the WEC Energy Group Executive Deferred Compensation Plan. Except for a "change in control" of WEC Energy Group, as defined in the SPP, and pursuant to the terms of the ILAs discussed below, no payments are made until after the participant's retirement at or after age 60 or death. If a participant in the SERP dies prior to age 60, his or her beneficiary is entitled to receive retirement benefits under the SERP. Although Messrs. Klappa and Kuester remain participants in the SPP, they no longer accrue any benefits under the plan as a result of their earlier retirements.

WEC Energy Group entered into an agreement with Mr. Fletcher when he first commenced employment in 2011 to provide him with supplemental retirement benefits upon his retirement, provided he completed one year of service with the Company. The supplemental retirement payments are intended to make the total retirement benefits payable to Mr. Fletcher comparable to that which would have been received under his prior employer's defined benefit pension plan, calculated without regard to Internal Revenue Code limits, and as if Mr. Fletcher's employment continued with the prior employer and the defined benefit formula then in effect under the prior employer's plan continued to his retirement. The retirement benefits payable as a result of this agreement will be offset by the value of any qualified and non-qualified defined benefit pension plan of the prior employer.

WEC Energy Group entered into an individual letter agreement with Mr. Klappa when he first commenced employment in 2003 to provide him with supplemental retirement benefits upon retirement at or after age 60. The supplemental retirement payments are intended to make the total retirement benefits payable to Mr. Klappa comparable to that which would have been received under the WEC Energy Group Plan as in effect on December 31, 1995, had the defined benefit formula then in effect continued until his retirement, calculated without regard to Internal Revenue Code limits, and as if Mr. Klappa had started participation in the WEC Energy Group Plan at age 27. As a result, pursuant to the terms of the agreement, which terminated upon Mr. Klappa's retirement in May 2016, Mr. Klappa had 38.67 years of credited service under the WEC Energy Group Plan and the SERP upon his retirement in May 2016.

WEC entered into an individual letter agreement with Mr. Kuester when he first commenced employment in 2003 that was similar to Mr. Klappa's agreement to provide him with supplemental retirement benefits upon retirement at or after age 60. Pursuant to the terms of the agreement, which terminated upon Mr. Kuester's retirement in January 2013, Mr. Kuester's benefits under the WEC Energy Group Plan and the SERP are being paid under the prior plan benefit formula as in effect on December 1, 1995, and as if Mr. Kuester had started with WEC Energy Group at age 22. As a result, Mr. Kuester had 40.33 years of credited service under the WEC Energy Group Plan and the SERP upon his retirement in January 2013.

The Company entered into an agreement with Mr. Garvin when he was hired in April 2011 that provides for a supplemental pension benefit account, which was credited with $50,000. This account is credited with interest annually at the same rate as the WEC Energy Group Plan. The account balance will vest at the earliest to occur of Mr. Garvin attaining age 60 or completion of 10 years of service.

The purpose of these agreements was to ensure that Messrs. Fletcher, Klappa, and Garvin did not lose pension earnings by joining the executive management team at WEC Energy Group they otherwise would have received from their former employers. Without providing a means to retain these pension benefits, it would have been difficult for WEC Energy Group to attract these officers.

The SPP provides for a mandatory lump sum payment upon a change in control if the executive's employment is terminated within 18 months after the change in control. The Wisconsin Energy Corporation 2014 Rabbi Trust, a grantor trust, funds certain non-qualified benefits, including the SPP and the ILAs, as well as the Executive Deferred Compensation Plan and the Directors' Deferred Compensation Plan. See "Potential Payments upon Termination or Change in Control" later in this proxy statement for additional information.

WEC Energy Group Retirement Savings Plan

Effective January 1, 2015, all newly hired management employees, including executive officers, will receive an annual contribution equal to 6% of pension-eligible wages from the Company into WEC Energy Group's 401(k) plan rather than participate in the WEC Energy Group Plan. Pension-eligible wages consist of annual base salary and STPP payouts. In connection with this plan, the Compensation Committee adopted the WEC Energy Group Non-Qualified Retirement Savings Plan which provides "make-whole" benefits to address Internal Revenue Code limits on the amount of money that can be contributed to a 401(k) plan.

Since Messrs. Klappa and Kuester are considered new employees, they will no longer accrue additional benefits under the WEC Energy Group Plan; however, Messrs. Klappa and Kuester, along with Ms. Kelsey, are entitled to receive Company contributions to the 401(k) plan and Non-Qualified Retirement Savings Plan.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL YEAR 2019

The following table reflects activity by the NEOs during 2019 in WEC Energy Group's Executive Deferred Compensation Plan discussed below.

Name	Executive Contributions in Last Fiscal Year [1] ($)	Registrant Contributions in Last Fiscal Year [1] ($)	Aggregate Earnings In Last Fiscal Year ($)	Aggregate Withdrawals / Distributions ($)	Aggregate Balance at Last Fiscal Year-End [2] ($)
J. Kevin Fletcher	492,464	59,053	170,491	—	3,525,522
Gale E. Klappa	59,231	32,415	358,874	998,326	6,174,391
Scott J. Lauber	199,595	51,854	164,607	—	2,109,120
Frederick D. Kuester	—	—	60,595	300,482	901,445
Margaret C. Kelsey	37,776	17,758	86,828	—	364,688
Robert M. Garvin	73,608	30,862	197,623	—	1,029,106

(1) All of the amounts are reported as compensation in the "Summary Compensation Table" of this proxy statement.

(2) $1,258,355, $7,015,650, $458,853, $2,350,309, $380,074, and $52,924 of the reported amounts were reported as compensation in the Summary Compensation Tables in prior proxy statements for Messrs. Fletcher, Klappa, Lauber, Kuester, and Garvin, and Ms. Kelsey, respectively. The amounts reported in this column for Messrs. Klappa and Kuester are lower than these previously reported amounts because Messrs. Klappa and Kuester have been receiving distributions under the WEC Energy Group Executive Deferred Compensation Plan. The amount for Ms. Kelsey includes a $150,000 contribution from WEC Energy Group in 2017 that vests upon Ms. Kelsey's third anniversary with the Company.

Executive Deferred Compensation Plan

WEC Energy Group maintains two executive deferred compensation plans in which the NEOs participate: the Legacy WEC Energy Group Executive Deferred Compensation Plan (the "Legacy EDCP"), and the WEC Energy Group Executive Deferred Compensation Plan (the "EDCP") adopted effective January 1, 2005 to comply with Section 409A of the Internal Revenue Code. The Legacy EDCP provides that (1) amounts earned, deferred, vested, credited, and/or accrued as of December 31, 2004 are preserved and frozen (subject to appreciation in value of such amounts) so that these amounts are exempt from Section 409A and (2) no new employees may participate in the Legacy EDCP as of January 1, 2005. Since January 1, 2005, all deferrals have been made to the EDCP. The provisions of the EDCP as in effect on December 31, 2019 are described below, as are the payout provisions of the Legacy EDCP.

The EDCP. Under the plan, a participant may defer up to 50% of his or her base salary, annual incentive compensation and vested awards of performance units. Stock option gains and vested restricted stock may not be deferred into the EDCP. Generally, deferral elections are made annually by each participant for the upcoming plan year. The Company maintains detailed records tracking each participant's "account balance." In addition to deferrals made by the participants, the Company may also credit each participant's account balance by matching a certain portion of each participant's deferral. Such deferral matching is determined by a formula taking into account the matching rate applicable under the Company's 401(k) plan, the percentage of compensation subject to such matching rate, the participant's gross compensation eligible for matching, and the amount of eligible compensation actually deferred. Also, in our discretion, the Company may credit any other amounts, as appropriate, to each participant's account.

Participants may elect to participate in the WEC Energy Group Common Stock Fund and/or the Prime Rate Fund. The Company tracks each participant's account balance as though the balance was actually invested in these funds. Fund elections are not actual investments, but are elections chosen only for purposes of calculating market gain or loss on deferred amounts for the duration of the deferral period. Each participant may select the amount of deferred compensation to be allocated among the two measurement funds. Contributions and deductions may be made to each participant's account based on the performance of the measurement fund(s) elected.

The annual rate of return for the calendar year ended December 31, 2019 for the WEC Energy Group Common Stock Fund and the Prime Rate Fund was 33.2% and 5.31%, respectively.

Each participant's account balance is debited or credited periodically based on the performance of the measurement fund(s) elected by the participant. Subject to certain restrictions, participants may periodically make changes to their measurement fund elections.

At the time of his or her deferral election, each participant may designate a prospective payout election for any or the entire amount deferred, plus any amounts debited or credited to the deferred amount as of the designated payout. Amounts deferred into the EDCP may not be withdrawn at the discretion of the participant and a change to the designated payout delays the initial payment at least five years beyond the originally designated payout date. In addition, the Company may not limit payout amounts in order to deduct such amounts under Section 162(m) of the Internal Revenue Code.

The balance of a participant's account is payable on his or her retirement in either a lump sum payout or in annual installments, at the election of the participant. Upon the death of a participant after retirement, payouts are made to the deceased participant's beneficiary in the same manner as though such payout would have been made to the participant had the participant survived. In the event of a participant's termination of employment prior to retirement, the participant may elect to receive a payout beginning the year after termination in the amount of his or her account balance as of the termination date either in a lump sum or in annual installments over a period of five years. Disability is not itself a payment event until the participant terminates employment with WEC Energy Group or its subsidiaries. A participant's account balance will be paid out in a lump sum if the participant separates from service with WEC Energy Group or its subsidiaries within 18 months after a change in control of WEC Energy Group, as defined in the plan. The deferred amounts will be paid out of the general corporate assets or the assets of the Wisconsin Energy Corporation 2014 Rabbi Trust.

The Legacy EDCP. At the time of his or her deferral election, each participant designated a prospective payout election for any or the entire amount deferred, plus any amounts debited or credited to the deferred amount as of the designated payout. A participant may elect, at any time, to withdraw part (a minimum of $25,000) or all of his or her account balance, subject to a withdrawal penalty of 10%. Payout amounts may be limited to the extent to which they are deductible by the Company under Section 162(m) of the Internal Revenue Code.

The balance of a participant's account is payable on his or her retirement in either a lump sum payout or in annual installments, at the election of the participant. Upon the death of a participant after retirement, payouts are made to the deceased participant's beneficiary in the same manner as though such payout would have been made to the participant had the participant survived. In the event of a participant's termination of employment prior to retirement, the participant may elect to receive a payout beginning the year after termination in the amount of his or her account balance as of the termination date either in a lump sum or in annual installments over a period of five years. Any participant who suffers from a continued disability will be entitled to the benefits of plan participation unless and until the committee administering the plan determines that the participant has been terminated for purposes of continued participation in the plan. Upon any such determination, the disabled participant is paid out as though the participant had retired. Except in certain limited circumstances, participants' account balances will be paid out in a lump sum (1) upon the occurrence of a change in control, as defined in the plan, or (2) upon any downgrade of the Company's senior debt obligations to less than "investment grade." The deferred amounts will be paid out of the general corporate assets or the assets of the Wisconsin Energy Corporation 2014 Rabbi Trust.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The tables below reflect the amount of compensation payable to each of our NEOs in the event of termination of each executive's employment. These amounts are in addition to each NEO's aggregate balance in the EDCP at fiscal year-end 2019, as reported in the "Aggregate Balance at Last Fiscal Year-End" column under "Nonqualified Deferred Compensation for Fiscal Year 2019." The amount of compensation payable to each NEO upon voluntary termination, normal retirement, for-cause termination, involuntary termination (by the Company for any reason other than cause, death or disability or by the executive for "good reason"), termination following a "change in control," disability, and death are set forth below. The amounts shown assume that such termination was effective as of December 31, 2019 and include amounts earned through that date, and are estimates of the amounts which would be paid out to the NEOs upon termination. The amounts shown under "Normal Retirement" assume the NEOs were retirement eligible with no reduction of retirement benefits. The amounts shown under "Termination Upon a Change in Control" assume the NEOs terminated employment as of December 31, 2019, which was within 18 months of a change in control of WEC Energy Group. The amounts reported in the row titled "Retirement Plans" in each table below are not in addition to the amounts reflected under "Pension Benefits at Fiscal Year-End 2019." The actual amounts to be paid out can only be determined at the time of an officer's termination of employment.

Payments Made Upon Voluntary Termination or Termination for Cause, Death or Disability

In the event a NEO voluntarily terminates employment or is terminated for cause, death, or disability, the officer will receive:

- accrued but unpaid base salary and, for termination by death or disability, prorated annual incentive compensation;
- 401(k) plan and EDCP account balances;
- the WEC Energy Group Plan cash balance;
- in the case of death or disability, full vesting in all outstanding stock options, restricted stock, and performance units (otherwise, the ability to exercise already vested options within three months of termination) as well as vesting in the SERP and ILAs; and
- if voluntary termination occurs after age 60, such termination is treated as a normal retirement.

NEOs are also entitled to the value of unused vacation days, if any, and for termination by death, benefits payable under the officer life insurance benefit if the NEO participates in such benefit.

Payments Made Upon Normal Retirement

In the event of the retirement of a NEO, the officer will receive:

- accrued but unpaid base salary and prorated annual incentive compensation;
- full vesting in all outstanding stock options and a prorated amount of performance units;
- full vesting in all retirement plans, including the WEC Energy Group Plan, SERP, and ILAs;
- 401(k) plan and EDCP account balances; and
- the value of unused vacation days, if any.

Payments Made Under Employment Agreement Upon a Change in Control, Involuntary Termination, or Termination for Good Reason

WEC Energy Group entered into a written employment agreement with Mr. Fletcher effective October 31, 2011. The Compensation Committee did not amend or otherwise modify Mr. Fletcher's employment agreement in any way in connection with his appointment as President and CEO. Pursuant to the terms of this agreement, Mr. Fletcher is entitled to severance benefits if his employment is terminated (1) by the Company for any reason other than cause, death, or disability, or (2) by Mr. Fletcher for good reason. Upon termination, Mr. Fletcher's agreement provides for (1) a lump sum payment equal to 2.99 times his annual base salary for the fiscal year in which termination occurs, and (2) health, life and other welfare benefits (excluding disability benefits) for a period of three years following termination.

Generally, pursuant to Mr. Fletcher's ILA, good reason means:

(1) a material reduction in Mr. Fletcher's base compensation;

(2) a material change in the geographic location at which Mr. Fletcher must perform services; or

(3) a material breach of the agreement by the Company.

WEC Energy Group also entered into a written employment agreement with Ms. Kelsey effective September 18, 2017. Pursuant to the terms of this agreement, Ms. Kelsey is entitled to severance benefits if her employment is involuntarily terminated by the Company for any reason other than performance prior to September 18, 2020. Upon termination, Ms. Kelsey's agreement provides for a lump sum payment equal to 1.5 times her then current annual base salary plus target annual incentive. After this benefit expires on September 18, 2020, Ms. Kelsey will be eligible to participate in the Severance Pay Plan, in which all management employees are eligible to participate.

The employment agreements Messrs. Klappa and Kuester entered into upon commencement of their employment with WEC Energy Group in 2003 terminated upon their retirements in May 2016 and January 2013, respectively.

In addition, pursuant to the terms of the SPP (and for Mr. Fletcher, his ILA) retirement benefits are paid to all participating NEOs upon termination of employment within 18 months of a change in control. Participants appointed by the Company, including the NEOs, are also eligible to receive a supplemental disability benefit pursuant to the terms of the WEC Energy Group Supplemental Long Term Disability Plan, in an amount equal to the difference between the actual amount of the benefit payable under the long term disability plan applicable to all employees and what such disability benefit would have been if calculated without regard to any limitation imposed by the broad-based plan on annual compensation recognized thereunder.

Payments under the Severance Pay Plan

Messrs. Klappa, Lauber, Kuester, and Garvin have not entered into any agreement that currently provides for severance benefits upon a change in control or otherwise. These officers are eligible to participate in the Company's Severance Pay Plan, in which all management employees are eligible to participate. In the event a participant is involuntarily terminated, other than for cause, death, disability, retirement, or resignation, the participant is entitled to receive severance pay in an amount equal to the sum of: (1) 4% of the participant's annual base salary and target bonus, plus (2) 4% of the participant's annual base salary and target bonus multiplied by his or her completed years of service with the Company. The maximum amount of severance pay that can be received under the plan is twelve months of a participant's annual base salary and target bonus.

Potential Payments to Named Executive Officers Upon Termination or Change in Control of the Company

The following tables show the potential payments upon termination or a change in control of the Company for:

Executive Benefits and Payments Upon Separation	Voluntary Termination ($)	Normal Retirement ($)	For Cause Termination ($)	Involuntary Termination ($)	Termination Upon Change in Control ($)	Disability ($)	Death ($)
J. Kevin Fletcher							
Compensation:							
Cash Severance	—	—	—	3,001,960	3,001,960	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	955,042	—	—	2,235,840	2,235,840	2,235,840
Restricted Stock	—	—	—	—	504,406	504,406	504,406
Options	—	2,087,576	—	—	2,087,576	2,087,576	2,087,576
Benefits & Perquisites:							
Retirement Plans	9,689,338	9,689,338	9,689,338	9,689,338	9,689,338	9,689,338	5,564,750
Health and Welfare Benefits	—	—	—	56,131	56,131	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	3,012,000
Total	9,689,338	12,731,956	9,689,338	12,747,429	17,575,251	14,517,160	13,404,572

Executive Benefits and Payments Upon Separation	Voluntary Termination ($)	Normal Retirement ($)	For Cause Termination ($)	Involuntary Termination ($)	Termination Upon Change in Control ($)	Disability ($)	Death ($)
Gale E. Klappa							
Compensation:							
Cash Severance	—	—	—	1,318,593	1,318,593	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	—	—	—	—	—	—
Restricted Stock	—	—	—	—	1,423,478	1,423,478	1,423,478
Options	—	3,838,036	—	—	3,838,036	3,838,036	3,838,036
Benefits & Perquisites:							
Retirement Plans	27,556,725	27,556,725	27,556,725	27,556,725	27,556,725	27,556,725	—
Health and Welfare Benefits	—	—	—	9,355	9,355	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	—
Total	27,556,725	31,394,761	27,556,725	28,884,673	34,146,187	32,818,239	5,261,514

Executive Benefits and Payments Upon Separation	Voluntary Termination ($)	Normal Retirement ($)	For Cause Termination ($)	Involuntary Termination ($)	Termination Upon Change in Control ($)	Disability ($)	Death ($)
Scott J. Lauber							
Compensation:							
Cash Severance	—	—	—	1,125,000	1,125,000	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	1,056,310	—	—	2,132,081	2,132,081	2,132,081
Restricted Stock	—	—	—	—	448,607	448,607	448,607
Options	—	2,016,482	—	—	2,016,482	2,016,482	2,016,482
Benefits & Perquisites:							
Retirement Plans	829,884	829,884	829,884	829,884	829,884	829,884	754,123
Health and Welfare Benefits	—	—	—	9,355	9,355	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	—
Total	829,884	3,902,676	829,884	1,964,239	6,561,409	5,427,054	5,351,293

Executive Benefits and Payments Upon Separation	Voluntary Termination ($)	Normal Retirement ($)	For Cause Termination ($)	Involuntary Termination ($)	Termination Upon Change in Control ($)	Disability ($)	Death ($)
Frederick D. Kuester							
Compensation:							
Cash Severance	—	—	—	714,840	714,840	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	—	—	—	—	—	—
Restricted Stock	—	—	—	—	2,211,399	2,211,399	2,211,399
Options	—	2,853,808	—	—	2,853,808	2,853,808	2,853,808
Benefits & Perquisites:							
Retirement Plans	10,704,765	10,704,765	10,704,765	10,704,765	10,704,765	10,704,765	5,424,705
Health and Welfare Benefits	—	—	—	9,355	9,355	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	—
Total	10,704,765	13,558,573	10,704,765	11,428,960	16,494,167	15,769,972	10,489,912

Margaret C. Kelsey							
Compensation:							
Cash Severance	—	—	—	1,216,687	1,216,687	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	720,685	—	—	1,442,016	1,442,016	1,442,016
Restricted Stock	—	—	—	—	266,268	266,268	266,268
Options	—	966,468	—	—	966,468	966,468	966,468
Benefits & Perquisites:							
Retirement Plans	—	—	—	—	—	—	—
Health and Welfare Benefits	—	—	—	9,355	9,355	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	1,622,250
Total	—	1,687,153	—	1,226,042	3,900,794	2,674,752	4,297,002

Robert M. Garvin							
Compensation:							
Cash Severance	—	—	—	272,064	272,064	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	562,511	—	—	1,111,372	1,111,372	1,111,372
Restricted Stock	—	—	—	—	246,715	246,715	246,715
Options	—	1,225,883	—	—	1,225,883	1,225,883	1,225,883
Benefits & Perquisites:							
Retirement Plans	546,327	625,759	546,327	625,759	625,759	625,759	612,895
Health and Welfare Benefits	—	—	—	9,355	9,355	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	1,374,060
Total	546,327	2,414,153	546,327	907,178	3,491,148	3,209,729	4,570,925

PAY RATIO DISCLOSURE

The primary objective of our executive compensation program is to provide a competitive, performance-based plan that enables the Company to attract and retain key individuals and to reward them for achieving both the Company's short-term and long-term goals without creating an incentive for our NEOs to take excessive risks. In line with this objective, the Company's general pay practice for all management employees is to target the median pay for each individual's position at comparably sized companies.

For 2019, the annual total compensation of Mr. Fletcher, our principal executive officer serving in that position on December 31, 2019, of $9,262,101, as shown in the Summary Compensation Table above ("CEO Compensation"), was approximately 73 times the annual total compensation of the median employee of $127,703.

We identified the median employee as of October 7, 2017, using total wages and earnings paid during the rolling 12-month period ended October 7, 2017, as reflected in our internal payroll records (including, without limitation, base salary, wages plus overtime, and annual cash incentive payments, as applicable), for all individuals who were employed by us or any of our consolidated subsidiaries on October 7, 2017 (whether employed on a full-time, part-time, seasonal or temporary basis and including union and non-union employees). After identifying the median employee, we calculated annual total compensation for such employee using the same methodology we use for our CEO Compensation, which includes annual salary, bonus, change in pension value and 401(k) matching by the Company. As defined under the pay ratio disclosure rules, the median employee remained the same since there has been no change in the Company's employee population or employee compensation that would significantly affect the pay ratio.

To provide further context to our pay practices, due to the complexity of the work associated with operating public utilities, our workforce tends to be more highly skilled than workforces at companies in other industries. Additionally, our employees often work for the Company for long periods of time; our average employee tenure is 15 years.

RISK ANALYSIS OF COMPENSATION POLICIES AND PRACTICES

As part of its process to determine the 2019 compensation of WEC Energy Group's NEOs, the Compensation Committee analyzed whether WEC Energy Group's compensation program taken as a whole creates risks that are reasonably likely to have a material adverse effect on the Company. The Compensation Committee concluded it does not. This analysis applies generally to the compensation program for WEC Energy Group's employees since all management employees (both officers and non-officers) above a certain level are provided with substantially the same mix of compensation as the NEOs. The compensation package provided to employees below this level is not applicable to this analysis as such compensation package does not provide sufficient incentive to take risks that could materially affect the Company.

There is no objective way to measure risk resulting from a corporation's compensation program; therefore, this analysis is subjective in nature. We believe that the only elements of WEC Energy Group's compensation program that could incentivize risk-taking by our employees, and therefore have a reasonable likelihood of materially adversely affecting the Company, are the annual cash incentive compensation and the long-term incentive compensation, the payout of which is dependent upon the achievement of certain performance levels by the Company. Based upon the value of each of these elements to the overall compensation mix and the relative value each has to the other, we believe the Company's compensation program is appropriately balanced. We believe that the mix of short- and long-term awards minimizes risks that may be taken, as any risks taken for short-term gains could ultimately jeopardize the Company's ability to meet the long-term performance objectives. Given the current balance of compensation elements, we do not believe WEC Energy Group's compensation program incentivizes unreasonable risk-taking by management.

The Compensation Committee's stock ownership guidelines require officers who participate in the long-term incentive compensation program to hold an amount of Company common stock and other equity-related Company securities that varies depending upon such officers' level. The guidelines require the Company's executive officers to hold common stock and other equity-related securities of the Company having a minimum fair market value ranging from 250% to 600% of base salary. The Compensation Committee believes these stock ownership guidelines further discourage unreasonable risk taking by Company officers.

As part of this analysis, we also considered the nature of WEC Energy Group's business as a public utility holding company and the fact that substantially all of the Company's earnings and other financial results are generated by, or relate to, regulated public utilities. The highly regulated nature of WEC Energy Group's business, including limits on the amount of profit the Company's public utility subsidiaries (and therefore, WEC Energy Group) may earn, significantly reduces any incentive to engage in conduct that would be reasonably likely to have a material adverse effect on the Company.

PROPOSAL 3: RATIFICATION OF DELOITTE & TOUCHE LLP AS INDEPENDENT AUDITORS FOR 2020

The Audit and Oversight Committee of the Board of Directors has sole authority to select, evaluate, and, where appropriate, terminate and replace the independent auditors. The Audit and Oversight Committee has appointed Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending December 31, 2020. The Audit and Oversight Committee believes that stockholder ratification of this matter is important considering the critical role the independent auditors play in maintaining the integrity of the Company's financial statements. If stockholders do not ratify the selection of Deloitte & Touche LLP, the Audit and Oversight Committee will reconsider the selection.

Deloitte & Touche LLP has served as the independent auditors for the Company for the last 18 fiscal years beginning with the fiscal year ended December 31, 2002. The members of the Audit and Oversight Committee and the other members of the Board believe that the continued retention of Deloitte & Touche LLP to serve as the Company's independent external auditor is in the best interests of the Company and our stockholders.

Ratification of Deloitte & Touche LLP as the Company's independent auditors requires the affirmative vote of a majority of the votes cast in person or by proxy at the Meeting. Presuming a quorum is present, shares not voted, whether by abstention or otherwise, have no effect on the outcome of this matter.

Representatives of Deloitte & Touche LLP are expected to be present at the Meeting. They will have an opportunity to make a statement if they so desire and are expected to respond to appropriate questions that may be directed to them. Information concerning Deloitte & Touche LLP can be found in the following pages.

The Board of Directors recommends that you vote "FOR" the ratification of Deloitte & Touche LLP as independent auditors for 2020.

INDEPENDENT AUDITORS' FEES AND SERVICES

Pre-Approval Policy. The Audit and Oversight Committee has a formal policy delineating its responsibilities for reviewing and approving, in advance, all audit, audit-related, tax, and other services of the independent auditors. As such, the Audit and Oversight Committee is responsible for the audit fee negotiations associated with the Company's retention of independent auditors.

The Audit and Oversight Committee is committed to ensuring the independence of the auditors, both in appearance as well as in fact. In order to assure continuing auditor independence, the Audit and Oversight Committee periodically considers whether there should be a regular rotation of the independent external audit firm. In addition, the Audit and Oversight Committee is directly involved in the selection of Deloitte & Touche LLP's lead engagement partner.

Under the pre-approval policy, before engagement of the independent auditors for the next year's audit, the independent auditors will submit (1) a description of all services anticipated to be rendered, as well as an estimate of the fees for each of the services, for the Audit and Oversight Committee to approve, and (2) written confirmation that the performance of any non-audit services is permissible and will not impact the firm's independence. Annual pre-approval will be deemed effective for a period of twelve months from the date of pre-approval, unless the Audit and Oversight Committee specifically provides for a different period. A fee level will be established for all permissible, pre-approved non-audit services. Any additional audit service, audit-related service, tax service, and other service must also be pre-approved.

The Audit and Oversight Committee delegated pre-approval authority to the Committee's Chair. The Audit and Oversight Committee Chair is required to report any pre-approval decisions at the next scheduled Audit and Oversight Committee meeting. Under the pre-approval policy, the Audit and Oversight Committee may not delegate to management its responsibilities to pre-approve services performed by the independent auditors.

Under the pre-approval policy, prohibited non-audit services are services prohibited by the Securities and Exchange Commission or by the Public Company Accounting Oversight Board (United States) (the "PCAOB") to be performed by the Company's independent auditors. These services include: bookkeeping or other services related to the accounting records or financial statements of the Company; financial information systems design and implementation; appraisal or valuation services, fairness opinions or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions or human resources; broker-dealer, investment advisor or investment banking services; legal services and expert services unrelated to the audit; services provided for a contingent fee or commission; and services related to planning, marketing or opining in favor of the tax treatment of a confidential transaction or an aggressive tax position transaction that was initially recommended, directly or indirectly, by the independent auditors. In addition, the Audit and Oversight Committee has determined that the independent auditors may not provide any services, including personal financial counseling and tax services, to any officer or other employee of the Company who serves in a financial reporting oversight role or to the Audit and Oversight Committee chair or to an immediate family member of these individuals, including spouses, spousal equivalents, and dependents.

Fee Table. The following table shows the fees, all of which were approved by the Audit and Oversight Committee, for professional audit services provided by Deloitte & Touche LLP for the audit of the annual financial statements of the Company and its subsidiaries for fiscal years 2019 and 2018, and fees for other services rendered during those periods. No fees were paid to Deloitte & Touche LLP pursuant to the "de minimus" exception to the pre-approval policy permitted under the Exchange Act.

	2019	2018
Audit Fees (1)	$ 5,357,908	$ 5,531,450
Audit-Related Fees (2)	260,000	—
Tax Fees (3)	31,500	67,226
All Other Fees (4)	7,811	8,495
Total	$ 5,657,219	$ 5,607,171

(1) Audit Fees consist of fees for professional services rendered in connection with: (1) the audits of the annual financial statements of the Company and its subsidiaries, (2) the audits of the effectiveness of internal control over financial reporting, and (3) other non-recurring audit work. This category also includes reviews of financial statements included in Form 10-Q filings of the Company and its subsidiaries and services provided in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees consist of fees for professional services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees." No such services were received from Deloitte & Touche LLP in 2018.

(3) Tax Fees consist of fees for professional services rendered with respect to federal and state tax compliance and tax advice. This can include preparation of tax returns, claims for refunds, payment planning, and tax law interpretation.

(4) All Other Fees consist of costs for certain employees to attend accounting/tax seminars hosted by Deloitte & Touche LLP plus the subscription cost for the use of a Deloitte & Touche LLP accounting research tool.

AUDIT AND OVERSIGHT COMMITTEE REPORT

The Audit and Oversight Committee, which is comprised solely of independent directors, oversees the integrity of the financial reporting process on behalf of the Board of WEC Energy Group, Inc. In addition, the Audit and Oversight Committee oversees compliance with legal and regulatory requirements. The Audit and Oversight Committee operates under a written charter approved by the Board, which can be found in the "Governance" section of the Company's Website at wecenergygroup.com.

The Audit and Oversight Committee is also directly responsible for the appointment, compensation, retention, and oversight of the Company's independent auditors, as well as the oversight of the Company's internal audit function.

In order to assure continuing auditor independence, the Audit and Oversight Committee periodically considers whether there should be a regular rotation of the independent external audit firm. For 2020, the Audit and Oversight Committee has appointed Deloitte & Touche LLP to remain as the Company's independent auditors, subject to stockholder ratification. The members of the Audit and Oversight Committee and other members of the Board believe that the continued retention of Deloitte & Touche LLP to serve as the Company's independent external auditor is in the best interests of the Company and its stockholders.

The Audit and Oversight Committee is directly involved in the selection of Deloitte & Touche LLP's lead engagement partner in conjunction with a mandated rotation policy and is also responsible for audit fee negotiations with Deloitte & Touche LLP.

Management is responsible for the Company's financial reporting process, the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and the system of internal controls and procedures designed to provide reasonable assurance regarding compliance with accounting standards and applicable laws and regulations. The Company's independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB") and issuing a report thereon.

The Audit and Oversight Committee held six meetings during 2019. Meetings are designed to facilitate and encourage open communication among the members of the Audit and Oversight Committee, management, the internal auditors, and the Company's independent auditors, Deloitte & Touche LLP. During these meetings, we reviewed and discussed with management, among other items, the Company's unaudited quarterly and audited annual financial statements and the system of internal controls designed to provide reasonable assurance regarding compliance with accounting standards and applicable laws.

We have reviewed and discussed with management and the Company's independent auditors the Company's audited consolidated financial statements and related footnotes for the fiscal year ended December 31, 2019, and the independent auditor's report on those financial statements. Management represented to us that the Company's financial statements were prepared in accordance with generally accepted accounting principles. Deloitte & Touche LLP presented the matters required to be discussed with the Audit and Oversight Committee by PCAOB Auditing Standard No. 1301, *Communications with Audit Committees*. This review included a discussion with management and the independent auditors about the quality of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the disclosures in the Company's financial statements, as well as the disclosures relating to critical accounting policies and the auditor's discussion about critical audit matters in its report on the audited consolidated financial statements.

In addition, we received the written disclosures and correspondence relative to the auditors' independence from Deloitte & Touche LLP, as required by applicable requirements of the PCAOB regarding Deloitte & Touche LLP's communications with the Audit and Oversight Committee concerning independence. The Audit and Oversight Committee discussed with Deloitte & Touche LLP its independence and also considered the compatibility of non-audit services provided by Deloitte & Touche LLP with maintaining its independence.

Based on these reviews and discussions, the Audit and Oversight Committee recommended to the Board that the audited financial statements be included in WEC Energy Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and filed with the Securities and Exchange Commission.

Respectfully submitted to WEC Energy Group stockholders by the Audit and Oversight Committee of the Board.

The Audit and Oversight Committee

Thomas J. Fischer, Committee Chair
Barbara L. Bowles
Patricia W. Chadwick
Danny L. Cunningham
Henry W. Knueppel

WEC Energy Group Common Stock Ownership

Beneficial Ownership. The following table lists the beneficial ownership of WEC Energy Group common stock of each director, director nominee, NEO, and of all of the directors and executive officers as a group as of January 31, 2020. In general, "beneficial ownership" includes those shares as to which the indicated persons have voting power or investment power and stock options that are exercisable currently or within 60 days of January 31, 2020. Included are shares owned by each individual's spouse, minor children, or any other relative sharing the same residence, as well as shares held in a fiduciary capacity or held in WEC Energy Group's Stock Plus Investment Plan and WEC Energy Group's 401(k) plans. None of these persons beneficially owns more than 1% of the outstanding common stock.

	Shares Beneficially Owned [1]		
Name	Shares Owned [2] [3] [4]	Option Shares Exercisable Within 60 Days	Total
Barbara L. Bowles	20,076	—	20,076
Albert J. Budney, Jr.	5,704	—	5,704
Patricia W. Chadwick	19,389	—	19,389
Curt S. Culver	1,707	—	1,707
Danny L. Cunningham	5,805	—	5,805
William M. Farrow III	5,681	—	5,681
Thomas J. Fischer	42,762	—	42,762
J. Kevin Fletcher	16,480	17,345	33,825
Robert M. Garvin	9,529	104,240	113,769
Maria C. Green	1,531	—	1,531
Margaret C. Kelsey	6,029	—	6,029
Gale E. Klappa	213,500	240,830	454,330
Henry W. Knueppel	19,977	—	19,977
Frederick D. Kuester	50,950	—	50,950
Thomas K. Lane	3,231	—	3,231
Scott J. Lauber	21,732	34,370	56,102
Ulice Payne, Jr.	24,651	—	24,651
Mary Ellen Stanek	4,132	—	4,132
All directors and executive officers as a group (24 persons)	499,927 [5]	467,695	967,622 [6]

[1] Information on beneficially owned shares is based on data furnished by the specified persons and is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, as required for purposes of this proxy statement. It is not necessarily to be construed as an admission of beneficial ownership for other purposes.

[2] Certain directors, NEOs, and other executive officers also hold share units in the WEC Energy Group phantom common stock account under WEC Energy Group's deferred compensation plans as indicated: Ms. Bowles (1,546), Mr. Budney (9,355), Mr. Culver (107,545), Mr. Cunningham (2,705), Mr. Fischer (7,807), Mr. Garvin (7,295), Ms. Kelsey (3,879), Mr. Lauber (1,258), Mr. Payne (2,174), Ms. Stanek (29,628), and all directors and executive officers as a group (202,014). Share units are intended to reflect the performance of WEC Energy Group common stock and are payable in cash. While these units do not represent a right to acquire WEC Energy Group common stock, have no voting rights, and are not included in the number of shares reflected in the "Shares Owned" column in the table above, the Company listed them in this footnote because they represent an additional economic interest of the directors, NEOs, and other executive officers that is tied to the performance of WEC Energy Group common stock.

[3] Each individual has sole voting and investment power as to all shares listed for such individual, except (i) the following individuals have shared voting and/or investment power (included in the table above) as indicated: Mr. Budney (902), Mr. Culver (176), Mr. Fischer (39,231), Mr. Klappa (5,000), Mr. Knueppel (18,446) and Ms. Stanek (2,601), and all directors and executive officers as a group (66,356) and (ii) Mr. Lane disclaims beneficial ownership of 1,700 shares held by a limited liability company, which is owned by two trusts for the benefit of Mr. Lane's immediate family members.

[4] The directors and executive officers hold shares of restricted stock (included in the table above) over which the holders have sole voting but no investment power:, Ms. Bowles (1,531), Mr. Budney (1,531), Ms. Chadwick (1,531), Mr. Culver (1,531), Mr. Cunningham (1,531), Mr. Farrow (1,531), Mr. Fischer (1,531), Mr. Fletcher (7,994), Mr. Garvin (2,457), Ms. Green (1,531), Ms. Kelsey (3,242), Mr. Klappa (14,182), Mr. Knueppel (1,531), Mr. Kuester (20,931), Mr. Lane (1,531), Mr. Lauber (4,972), Mr. Payne (1,531), Ms. Stanek (1,531), and all directors and executive officers as a group (79,079).

[5] None of the shares beneficially owned by the directors, NEOs, or all directors and executive officers as a group are pledged as security.

[6] Represents approximately 0.31% of total WEC Energy Group common stock outstanding on January 31,2020.

Owners of More than 5%. The following table shows stockholders who reported beneficial ownership of more than 5% of WEC Energy Group common stock, based on the information they have reported. This information is based upon Schedule 13G filed with the SEC and reflects stock holdings as of December 31, 2019. These holdings have not been otherwise adjusted for stock activity that may have occurred since December 31, 2019, if any.

Name and Address [1]	Voting Authority		Dispositive Authority		Total Shares Beneficially Owned	Percent of WEC Common Stock
	Sole	Shared	Sole	Shared		
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	552,828	214,398	39,789,155	655,297	40,444,452	12.82%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	27,068,337	—	29,641,382	—	29,641,382	9.40%
State Street Corporation One Lincoln Street Boston, MA 02111	—	11,814,615	—	17,720,442	17,735,023	5.62%

(1) Filed on behalf of itself and certain of its subsidiaries.

Delinquent Section16(a) Reports

Section 16(a) of the Exchange Act, as amended, requires the Company's executive officers, directors, and persons owning more than 10% of WEC Energy Group's common stock to file reports of ownership and changes in ownership of equity and derivative securities of WEC Energy Group with the SEC and the New York Stock Exchange. Specific due dates for those reports have been established by the SEC, and the Company is required to disclose in this proxy statement any failure to file by those dates during the 2019 fiscal year. To the Company's knowledge, based on a review of filings with the SEC and the representations of the persons required to file these reports, all applicable reporting requirements for fiscal year 2019 were complied with in a timely manner, except that due to broker error, an open market purchase of common stock by Curt Culver was inadvertently reported late.

Annual Meeting and Voting Information

BUSINESS OF THE ANNUAL MEETING

Proposal 1: Election of Twelve Directors for Terms Expiring in 2021. The Board recommends a vote **FOR** each of the nominees. The twelve individuals will be elected as directors if the number of votes cast in person or by proxy at the Meeting favoring such nominee's election exceeds the number of votes cast opposing that nominee's election. Presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect on the outcome of this matter.

Proposal 2: Advisory Vote to Approve Compensation of the Named Executive Officers, Commonly Referred to as a "Say-on-Pay" Vote. The Board recommends a vote **FOR** this proposal. Approval, on a non-binding, advisory basis, of the compensation of the NEOs requires the affirmative vote of a majority of the votes cast in person or by proxy at the Meeting. Presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect on the outcome of this matter. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Compensation Committee will review the voting results and take them into consideration.

Proposal 3: Ratification of Deloitte & Touche LLP as Independent Auditors for 2020. The Board recommends a vote **FOR** this proposal. Ratification of the independent auditors requires the affirmative vote of a majority of the votes cast in person or by proxy at the Meeting. Presuming a quorum is present, shares not voted, whether by abstention or otherwise, have no effect on the outcome of this matter.

The Company is not aware of any other matters that will be voted on. If a matter does properly come before the Meeting, the persons named as the proxies in the form of proxy will vote the proxy at their discretion.

VOTING INFORMATION

Who can vote?

Common stockholders as of the close of business on the Record Date, February 26, 2020, can vote. Each outstanding share of WEC Energy Group common stock is entitled to one vote upon each matter presented. A list of stockholders entitled to vote will be available for inspection by stockholders at WEC Energy Group's principal business office, 231 W. Michigan Street, Milwaukee, Wisconsin 53203, prior to the Meeting. The list will also be available at the Meeting.

How do I vote?

There are several ways to vote:

- By Internet. The Company encourages you to vote this way.
- By toll-free, touch-tone telephone.
- By completing and mailing your proxy card.
- By written ballot at the Meeting.

If you wish to vote through the Internet (whether by computer, tablet or smartphone) or by telephone, please follow the instructions on your Notice Regarding the Availability of Proxy Materials, proxy card, or the information forwarded to you by your bank or broker, as applicable. The Internet and telephone voting facilities will close at 11:59 p.m., Eastern time, on Tuesday, May 5, 2020.

If you are a participant in WEC Energy Group's Stock Plus Investment Plan ("Stock Plus") or own shares through investments in the WEC Energy Group Common Stock ESOP Fund in any of WEC Energy Group's 401(k) plans, your proxy will serve as voting instructions for your shares held in those plans. The administrator for Stock Plus and the trustee for WEC Energy Group's 401(k) plans will vote your shares as you direct. If a proxy is not returned for shares held in Stock Plus, the administrator will not vote those shares. If a proxy is not returned for shares held in WEC Energy Group's 401(k) plans, the trustee will vote those shares in the same proportion that all shares in the WEC Energy Group Common Stock ESOP Fund in each respective 401(k) plan, for which voting instructions have been received, are voted.

If you are a beneficial owner and your bank or broker holds your shares in its name, they are permitted to vote your shares in the ratification of the independent auditors even if the broker does not receive voting instructions from you. However, for matters considered non-routine, which includes proposals 1 and 2, your broker or other record holder of your shares will not be permitted to vote your shares unless you provide voting instructions. If your shares are held in the name of a broker, bank or other holder of record, you are invited to attend the Meeting, but may not vote at the Meeting unless you bring a legal proxy from your broker, bank, or other holder of record.

What does it mean if I get more than one proxy?

It means your shares are held in more than one stock account. **Please vote all proxies** to ensure all of your shares are counted.

What constitutes a quorum?

As of the February 26, 2020 Record Date, there were 315,434,531 shares of WEC Energy Group common stock outstanding. In order to conduct the Meeting, a majority of the outstanding shares entitled to vote must be represented in person or by proxy. This is known as a "quorum." Abstentions and shares which are the subject of broker non-votes will count toward establishing a quorum.

Can I change my vote?

You may change your vote or revoke your proxy at any time prior to the closing of the polls by any of the following methods:

- Entering a new vote by telephone, Internet, tablet or smartphone;
- Returning a later-dated proxy card;
- Voting in person at the Meeting; or
- Notifying WEC Energy Group's Corporate Secretary by written revocation letter.

The Corporate Secretary is Margaret C. Kelsey. Any revocation should be filed with her at WEC Energy Group's principal business office, 231 W. Michigan Street., PO Box 1331, Milwaukee, Wisconsin 53201.

Attendance at the Meeting will not, in itself, constitute revocation of a proxy. All shares entitled to vote and represented by properly completed proxies timely received and not revoked will be voted as you direct. If no direction is given in a properly completed proxy, the proxy will be voted as the Board recommends.

Who conducts the proxy solicitation?

The Board is soliciting these proxies. WEC Energy Group will bear the cost of the solicitation of proxies. The Company contemplates that proxies will be solicited principally through the use of the mail, but employees of WEC Energy Group or our subsidiaries may solicit proxies by telephone, personally, or by other communications, without compensation apart from their normal salaries. WEC Energy Group has retained Morrow Sodali LLC to assist in the solicitation of proxies for a fee of $23,000 plus reimbursement of expenses. WEC Energy Group will also reimburse brokers, banks, and other nominees for forwarding proxy materials to beneficial stockholders.

Who will count the votes?

Computershare, which will also serve as Inspector of Election, will tabulate the vote. Computershare is the Company's transfer agent.

Where can I find the voting results from the Meeting?

The Meeting voting results will be published in a Form 8-K, available no later than May 12, 2020 on the Company's website, wecenergygroup.com, under the "Investors" section.

ELECTRONIC ACCESS TO ANNUAL MEETING INFORMATION

Why did I receive a separate Notice Regarding the Availability of Proxy Materials (Notice) instead of printed proxy materials?

Pursuant to rules adopted by the SEC, we are providing access to our proxy materials over the Internet. Accordingly, we began mailing a separate Notice to stockholders on or about March 25, 2020, instead of a full set of our printed proxy materials. The Notice is not a proxy card and cannot be used to vote your shares. However, the Notice includes instructions on how to access our proxy materials online and vote your shares.

You may request a printed set of proxy materials by (1) logging on to www.envisionreports.com/wec and following the applicable instructions, (2) calling 866-641-4276, or (3) sending an email requesting a paper copy of current meeting materials to investorvote@computershare.com with "Proxy Materials WEC Energy Group" in the subject line and your full name and address plus the number located in the shaded bar on the Notice.

If your shares are held by a broker, trustee, bank, or other nominee, please refer to the instructions provided by such record holder on how to access our proxy materials and vote.

What practices may stockholders follow that are friendly to the environment and help reduce printing and postage costs?

Stockholders may wish to participate in the following:

- **View the following documents online at www.envisionreports.com/wec:**
  - Notice of Annual Meeting
  - Proxy Statement
  - 2019 Annual Report
  - Form of Proxy

- **Vote your proxy by telephone, Internet, tablet or smartphone.** **Page P-6**

- **Choose to receive future proxy materials and annual reports electronically instead of receiving paper copies.**

  If you are a registered stockholder and received a paper copy of our proxy materials or a paper notice this year, you may elect to receive access to future copies of these documents and other stockholder communications (e.g., investment plan statements, tax documents, and more) electronically by (1) following the instructions when voting by Internet or by telephone, or (2) registering for our eDelivery paperless communication program.

  If your shares are held by a broker, trustee, bank or other nominee, please refer to the instructions provided by such record holder on how to elect to receive access to our future proxy materials and annual reports online.

  By delivering our proxy materials electronically, we can provide you with the information you need quickly, efficiently, and in a more cost-effective manner.

- **Choose our eDelivery paperless communication program for all your stockholder needs.**

  Electronic distribution gives stockholders faster delivery of account documents and saves the Company and our stockholders the cost of printing and mailing these materials. eDelivery also provides you with fast and secure 24/7 online access to proxy materials, investment plan statements, tax documents, and more. You may access your registered stockholder account and sign up for eDelivery at www.computershare.com/investor.

- **Sign up for Householding.**

  “Householding” is a delivery method that allows for only one paper copy of the Annual Report and Proxy Statement to be delivered to stockholders who reside at the same address.

  If you are a registered stockholder and received multiple paper copies of the Annual Report and Proxy Statement, you may wish to contact the Company’s transfer agent, Computershare, at 800-558-9663, to request householding, or you may provide written instructions to WEC Energy Group, c/o Computershare, P.O. Box 505000, Louisville, KY 40233-5000. If you wish to receive separate copies of the Annual Report and Proxy Statement now or in the future, or to discontinue householding entirely, you may contact the Company’s transfer agent using the contact information provided above. Upon request, the Company will promptly send a separate copy of the document. Whether or not a stockholder is householding, each stockholder will continue to receive a proxy card. If your shares are held through a bank, broker, or other holder of record, you may request householding by contacting the holder of record.

ANNUAL MEETING ATTENDANCE

How do I pre-register to attend the Annual Meeting?

All stockholders of WEC Energy Group are invited to attend the 2020 Annual Meeting of Stockholders, which will be held at the New York Stock Exchange. To pre-register, contact Stockholder Services by email at wec.stockholder-services.contact@wecenergygroup.com or by telephone at 800-881-5882 to complete the pre-registration process.

If you hold your shares in “street name” through an intermediary, such as a bank, brokerage firm, or other nominee, please send a written request either by regular mail, fax or email, along with proof of share ownership, such as a bank, or brokerage firm account statement, a copy of the voting instruction card provided by your broker, or a letter from the broker, trustee, bank or nominee holding your shares to: Stockholder Services, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201; fax: 414-221-3888; or email: wec.stockholder-services.contact@wecenergygroup.com.

Requests to attend the meeting will be processed in the order in which they are received and must be received no later than Thursday, April 29, 2020. If we cannot confirm you are a registered stockholder or beneficial owner, we will contact you for further information.

Annual Meeting Admission

You must pre-register to attend. You will be required to present your government-issued photo identification (e.g., valid driver's license or passport) at the external security checkpoint located at 18 Broad Street (corner of Broad Street and Exchange Place). We will then verify your name against our stockholder list. If you own shares in the name of your broker, bank, or other nominee ("street name"), you should bring your proof of share ownership with you to the Meeting. If we cannot verify that you are a stockholder, you may not be admitted to the Meeting.

The Meeting will begin promptly at 2:30 p.m., Eastern time. Check-in will begin at 1:30 p.m., Eastern time. Please allow at least 20 minutes for check-in procedures.

NYSE Security Procedures for Guests

You must pre-register in order to attend.

- **Guests should arrive at the external security checkpoint located at 18 Broad Street (corner of Broad Street and Exchange Place).**
- All guests of the NYSE are required to show a government issued photo ID (e.g., valid driver's license or passport) and go through airport-like security upon entering the NYSE.
- Once through the internal security checkpoint, all guests will be greeted by a member of the event staff and escorted to the event space.
- Business casual attire is required for all guests visiting the NYSE (jeans/sneakers are not permitted).
- No firearms or weapons will be allowed in the NYSE.
- No signs, banners, placards, handouts, and similar materials will be allowed on NYSE premises.

Annual Meeting Map

Annual Meeting Guidelines

- The business of the Meeting will follow as set forth in the agenda, which you will receive upon check-in.
- Stockholder questions and comments related to the business of the Company will be addressed only during the question and answer portion of the agenda. If you wish to speak, please go to the nearest microphone and wait to be recognized by the Chairman or CEO. State your name before asking your question. Questions from the floor are limited to three minutes to provide an opportunity for as many stockholders as possible.
- The use of cameras, recording devices, and other electronic devices will not be permitted during the Meeting except by those employed by the Company to provide a record of the proceedings. Please silence all cell phones and other electronic devices.

Attendees who fail to comply with these guidelines risk expulsion from the Meeting. In the event of a disruption, the Chairman may immediately adjourn the Meeting and declare the polls open for such period of time as he may determine to receive votes by proxy or ballot on items of business properly brought before the Meeting.

Who do I contact if I have questions about the Annual Meeting?

If you need more information about the Meeting, call us at 800-881-5882, or write to Stockholder Services, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201.

STOCKHOLDER NOMINEES AND PROPOSALS

Stockholders wishing to propose director candidates for consideration and recommendation by the Corporate Governance Committee for election at the 2021 Annual Meeting of Stockholders must submit the candidates' names and qualifications to the Corporate Governance Committee no later than November 1, 2020 via the Corporate Secretary, Margaret C. Kelsey. Stockholders may also propose director candidates for consideration and recommendation by the Board by following the guidelines outlined in the Company's bylaws and summarized below.

Stockholders who intend to have a proposal considered for inclusion in the Company's proxy materials for presentation at the 2021 Annual Meeting of Stockholders must submit the proposal to the Company no later than November 25, 2020.

Under our proxy access bylaw, if a stockholder (or a group of up to 20 stockholders) who has owned at least 3% of our shares of common stock for at least three years and has complied with the other requirements set forth in the Company's bylaws wants us to include director nominees (up to the greater of two nominees or 20% of the Board) in our proxy statement for the 2021 Annual Meeting of Stockholders, the nominations must be received by our Corporate Secretary and must arrive at the Company in a timely manner, between 120 and 150 days prior to the anniversary of the date our proxy statement was first sent to stockholders in connection with our last annual meeting, which would be no earlier than October 26, 2020 and no later than November 25, 2020.

Stockholders who intend to present a proposal or director nominee at the 2021 Annual Meeting of Stockholders without inclusion of such proposal or nominee in the Company's proxy materials, are required to provide notice of such proposal or nomination, containing the information required by the Company's bylaws, to the Company at least 70 days and not more than 100 days prior to the scheduled date of the 2021 Annual Meeting of Stockholders. The 2021 Annual Meeting of Stockholders is tentatively scheduled for May 6, 2021.

Correspondence regarding the above should be directed to the Corporate Secretary, Margaret C. Kelsey, at the Company's principal business office, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201.

Availability of Form 10-K

A copy (without exhibits) of WEC Energy Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 as filed with the SEC, is available without charge to any stockholder of record or beneficial owner of WEC Energy Group common stock by writing to the Corporate Secretary, Margaret C. Kelsey, at the Company's principal business office, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201. The WEC Energy Group consolidated financial statements and certain other information found in the Form 10-K are provided in our 2019 Annual Financial Statements and Review of Operations. The Form 10-K, along with this proxy statement and all of WEC Energy Group's other filings with the SEC, is also available in the "Investors" section of the Company's Website at wecenergygroup.com.

Appendix A – Earnings and Earnings Per Share GAAP Reconciliation

Diluted Earnings Per Share	2017	2016	2015
WEC Energy Group GAAP EPS	$ 3.79	$ 2.96	$ 2.34
Tax benefit related to Tax Cuts and Jobs Act of 2017	(0.65)	—	—
Acquisition costs	—	0.01	0.30
WEC Energy Group adjusted EPS	$ 3.14	$ 2.97	$ 2.64

We have provided adjusted earnings per share (non-GAAP earnings per share) as a complement to, and not as an alternative to, reported earnings per share presented in accordance with GAAP. For 2017, adjusted earnings per share exclude a one-time reduction in income tax expense related to a revaluation of our deferred taxes as a result of the Tax Cuts and Jobs Act of 2017. For 2015 and 2016, adjusted earnings per share exclude costs related to the acquisition of Integrys Energy Group. Neither of these items is indicative of the Company's operating performance. Therefore, we believe that the presentation of adjusted earnings per share is relevant and useful to investors to understand WEC Energy Group's operating performance. Management uses such measures internally to evaluate the Company's performance and manage its operations.

Stockholder Information

Account information

Visit **www.computershare.com/investor**.
WEC Energy Group's transfer agent, Computershare, provides our registered stockholders with secure account access. Stockholders can view share balances, market value, tax documents and account statements; review answers to frequently asked questions; perform many transactions; and sign up for eDelivery, the paperless communication program. eDelivery also provides electronic delivery of annual meeting materials.

- Write to:
  WEC Energy Group
  c/o Computershare
  P.O. Box 505000
  Louisville, KY 40233-5000

- If sending overnight correspondence, mail to:
  WEC Energy Group
  c/o Computershare
  462 S. Fourth St. - Suite 1600
  Louisville, KY 40202

- Call Computershare at 800-558-9663. Service representatives are available from 7 a.m. to 7 p.m. Central time on business days. An automated voice-response system also provides information 24 hours a day, seven days a week.

Securities analysts and institutional investors may contact our Investor Relations Line at **414-221-2592**. Stockholders who hold WEC Energy Group stock in brokerage accounts should contact their brokerage firm for account information.

Stock purchase plan

WEC Energy Group's Stock Plus Investment Plan provides a convenient way to purchase our common stock and reinvest dividends. To review the prospectus and enroll, go to **wecenergygroup.com** and select the Investors tab. You also may contact Computershare at **800-558-9663** to request an enrollment package. This is not an offer to sell, or a solicitation of an offer to buy, any securities. Any stock offering will be made only by prospectus.

Dividends

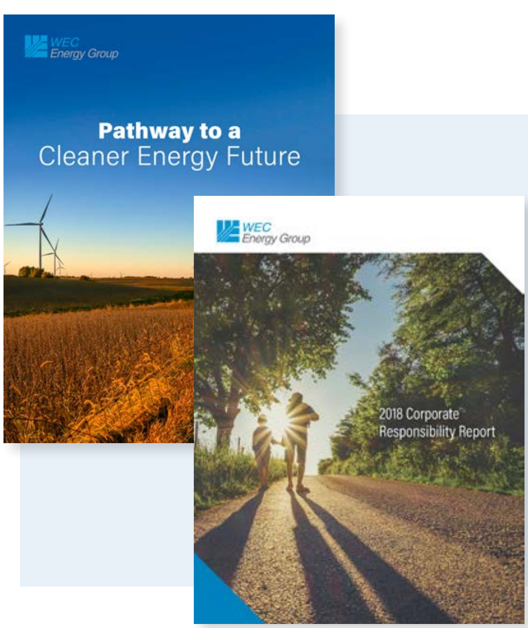
Dividends, as declared by the board of directors, typically are payable on the first day of March, June, September and December. Stockholders may have their dividends deposited directly into their bank accounts. Contact Computershare to request an authorization form.

Internet access helps reduce costs

You may access **wecenergygroup.com** for the latest information about the company. The site provides access to financial, corporate governance and other information, including Securities and Exchange Commission reports.

Annual certifications

WEC Energy Group has filed the required certifications of its chief executive officer and chief financial officer under the Sarbanes-Oxley Act regarding the quality of its public disclosures. These exhibits can be found in the company's Form 10-K for the year ended Dec. 31, 2019. The certification of WEC Energy Group's chief executive officer regarding compliance with the New York Stock Exchange (NYSE) corporate governance listing standards will be filed with the NYSE following the 2020 Annual Meeting of Stockholders. Last year, we filed this certification on May 31, 2019.



Corporate Responsibility

At WEC Energy Group, we work to align our policies and practices with the needs of our key stakeholders, including our electric and natural gas customers, communities, employees and investors. We understand that our business must support the environment and the economy of the areas we serve.

Learn more at www.wecenergygroup.com/csr

WEC Energy Group

231 W. Michigan St.
P.O. Box 1331
Milwaukee, WI 53201

414-221-2345
wecenergygroup.com

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