



# *Poised for Growth*

Investor Update: **March 2018**



# Cautionary Statement Regarding Forward-Looking Information

Much of the information contained in this presentation is forward-looking information based upon management's current expectations and projections that involve risks and uncertainties. Forward-looking information includes, among other things, information concerning earnings per share, rate case activity, earnings per share growth, cash flow, dividend growth and dividend payout ratios, capital plans, construction costs, generating unit retirements, investment opportunities, corporate initiatives (including any generation reshaping plan), rate base, and environmental matters (including emission reductions). Readers are cautioned not to place undue reliance on this forward-looking information. Forward-looking information is not a guarantee of future performance and actual results may differ materially from those set forth in the forward-looking information.

In addition to the assumptions and other factors referred to in connection with the forward-looking information, factors that could cause WEC Energy Group's actual results to differ materially from those contemplated in any forward-looking information or otherwise affect our future results of operations and financial condition include, among others, the following: general economic conditions, including business and competitive conditions in the company's service territories; timing, resolution and impact of future rate cases and other regulatory decisions; the company's ability to continue to successfully integrate the operations of its subsidiaries; availability of the company's generating facilities and/or distribution systems; unanticipated changes in fuel and purchased power costs; key personnel changes; varying weather conditions; continued industry consolidation; cyber-security threats; the value of goodwill and its possible impairment; construction risks; equity and bond market fluctuations; the impact of tax reform and any other legislative and regulatory changes, including changes to existing and/or anticipated environmental standards; current and future litigation and regulatory investigations; changes in accounting standards; and other factors described under the heading "Factors Affecting Results, Liquidity, and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and under the headings "Cautionary Statement Regarding Forward-Looking Information" and "Risk Factors" contained in WEC Energy Group's Form 10-K for the year ended December 31, 2017 and in subsequent reports filed with the Securities and Exchange Commission. WEC Energy Group expressly disclaims any obligation to publicly update or revise any forward-looking information.

## Company Statistics

**\$18.9 billion** market cap <sup>(1)</sup>

**1.6 million** electric customers

**2.9 million** natural gas customers

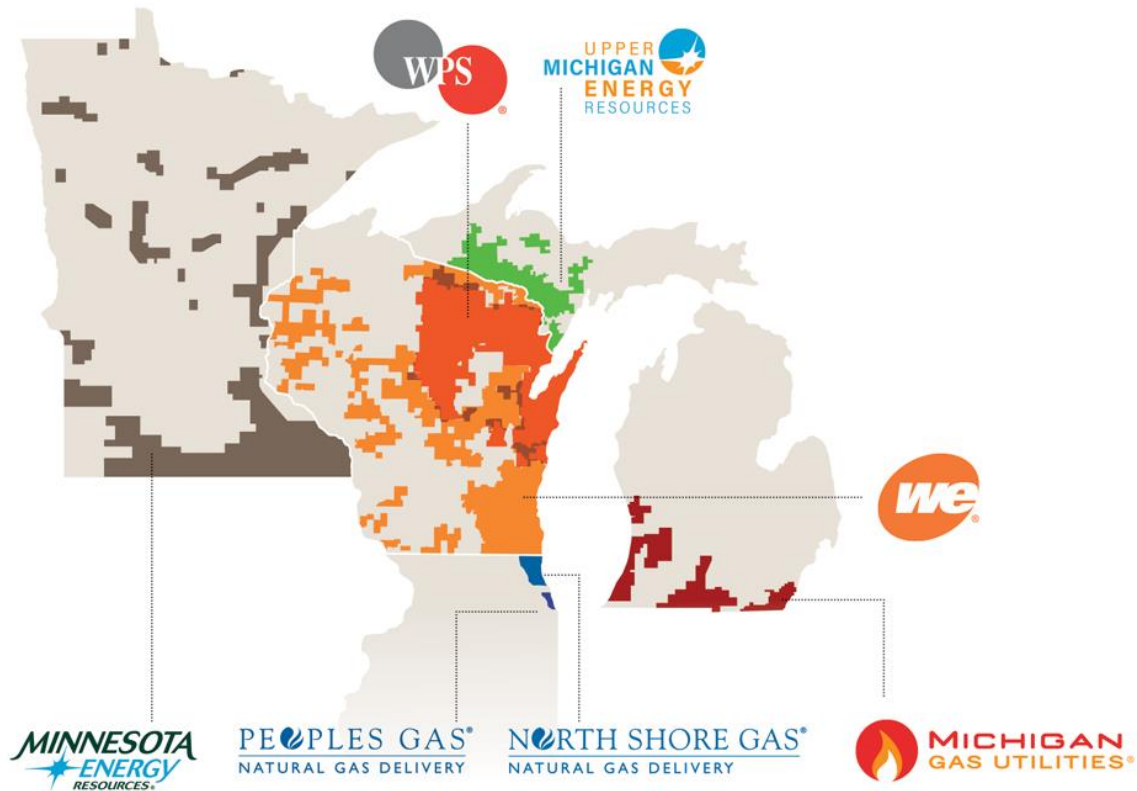
**60%** ownership of American Transmission Company

**69,600 miles** of electric distribution

**48,000 miles** of gas distribution

**\$18.5 billion** of rate base <sup>(2)</sup>

**99+%** regulated <sup>(3)</sup>



(1) As of 2/28/18

(2) 2017 average rate base

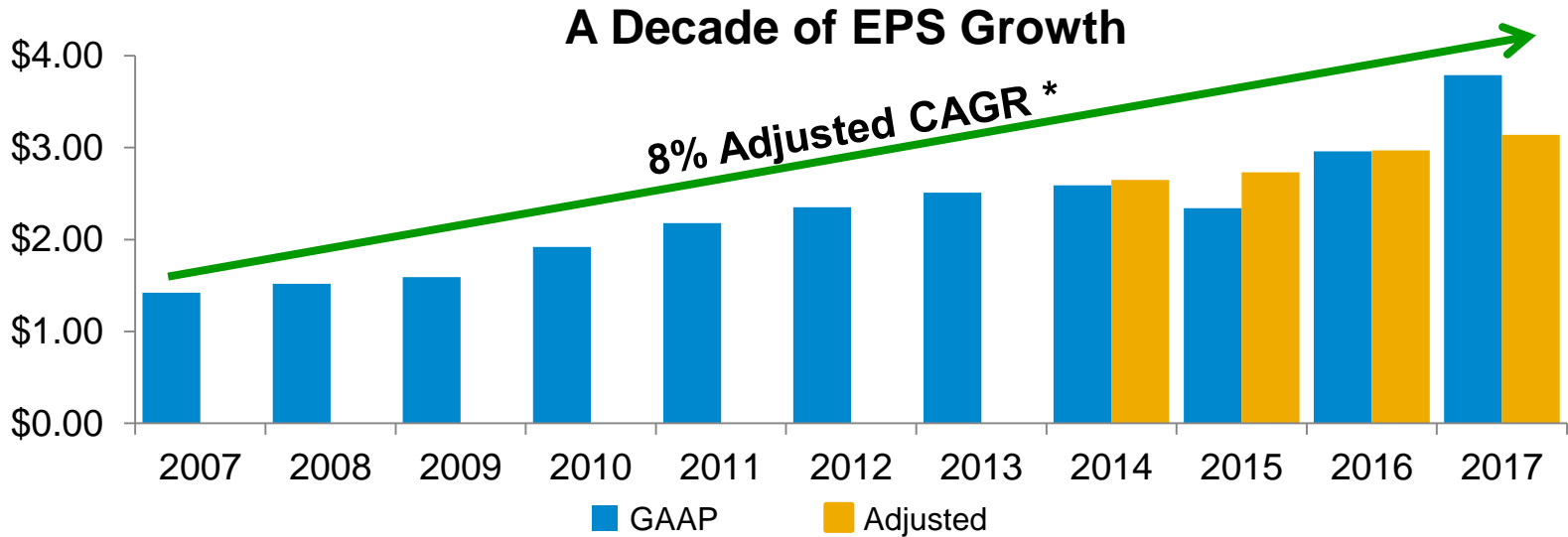
(3) Based on earnings from operations

# Focused on the Fundamentals

Our strategy is to create long-term value by focusing on the fundamentals: safety, world-class reliability, operating efficiency, financial discipline and customer care.



# Focused on the Fundamentals



**Ranked #2 in our sector**

## Best in America - 2017



**Best in Midwest 7 years in a row**

\* 10% CAGR based off GAAP EPS that include a one-time, non-cash gain related to the Tax Cut and Jobs Act of 2017.

# Proven Track Record of Performance

*The only regulated utility to beat guidance every year for more than a decade*

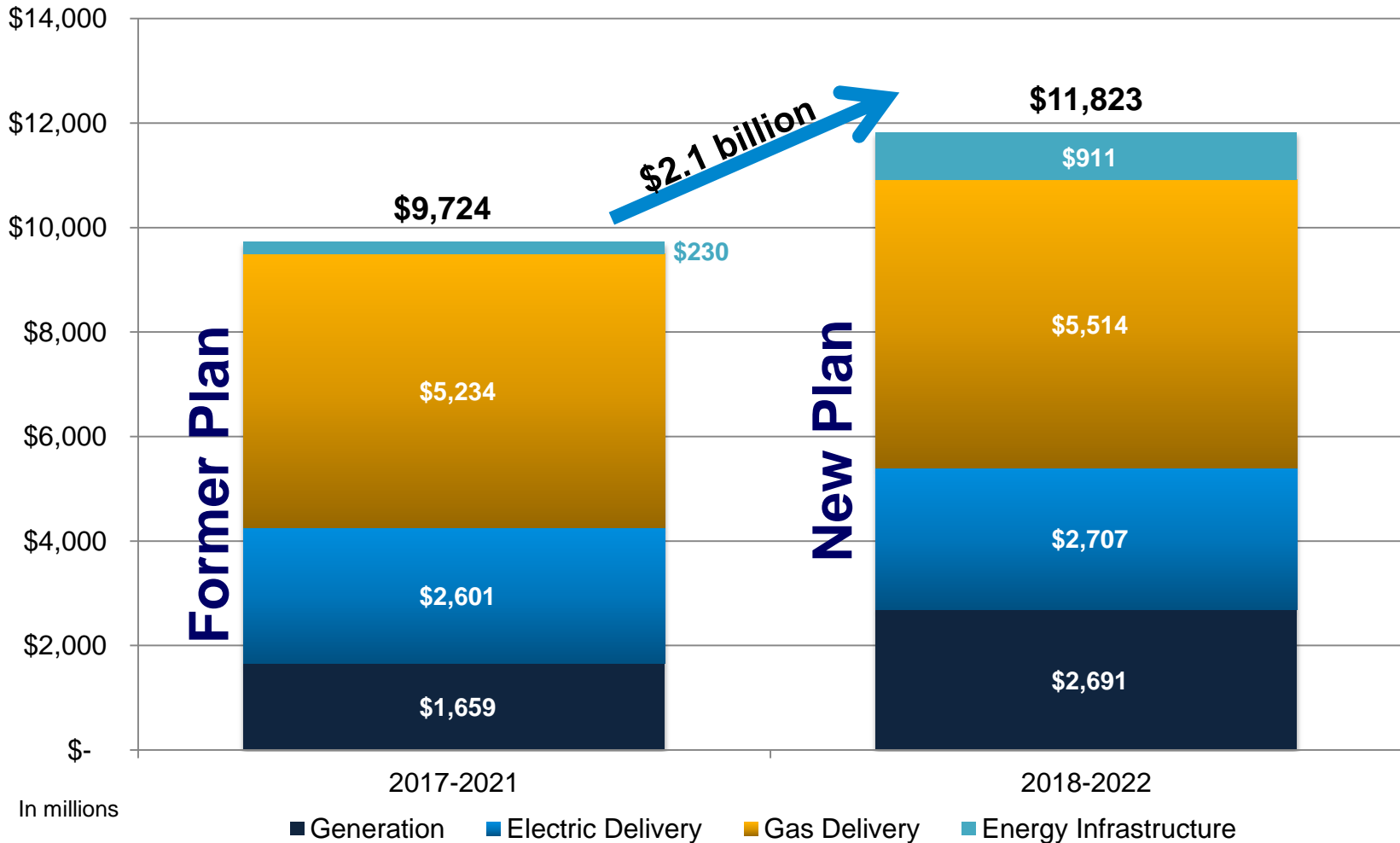
	EPS Guidance	
2017	<i>Exceeded</i>	✓
2016	<i>Exceeded</i>	✓
2015	<i>Exceeded</i>	✓
2014	<i>Exceeded</i>	✓
2013	<i>Exceeded</i>	✓
2012	<i>Exceeded</i>	✓
2011	<i>Exceeded</i>	✓
2010	<i>Exceeded</i>	✓
2009	<i>Exceeded</i>	✓
2008	<i>Exceeded</i>	✓
2007	<i>Exceeded</i>	✓
2006	<i>Exceeded</i>	✓
2005	<i>Exceeded</i>	✓

# Tax Reform Summary

- Beneficial to customers
- No equity issuances required
- No change to 2018 guidance, long-term growth rate or capital plan
- Maintaining FFO-to-debt in the range of 16 to 18 percent
- Estimated to be a partial cash taxpayer in 2018, full cash taxpayer in 2019

State	Tax Treatment
Wisconsin	<ul style="list-style-type: none"> <li>• Filed with the PSC on February 9, 2018 to apply benefits from a lower federal tax rate to reduce regulatory asset balances for uncollected transmission costs</li> </ul>
Illinois	<ul style="list-style-type: none"> <li>• Working with the ICC on a rider to flow through savings from tax reform. This would also include an offset from an increase in state taxes.</li> <li>• Customers may start realizing tax benefits as soon as May 2018</li> </ul>
Michigan	<ul style="list-style-type: none"> <li>• MPSC issued an order on February 22, 2018 requiring each Michigan utility to make multiple filings addressing estimated rate impacts</li> <li>• Our first filing to comply with that order is due on March 30, 2018</li> </ul>
Minnesota	<ul style="list-style-type: none"> <li>• The impact of tax reform has been factored into the currently pending rate case</li> <li>• Interim rates have been adjusted to reflect the reduction in the federal tax rate</li> </ul>

# Increasing 5-Year Capital Plan by \$2.1 billion





# 2018-2022 Capital Plan by Category

\$ In billions

**Energy Infrastructure**  
\$0.9  
8%

**Gas Distribution**  
\$5.0  
42%

**Generation**  
\$2.5  
21%

**Electric Distribution**  
\$2.5  
21%

**Technology**  
\$0.9  
8%

**Total of \$11.8 billion**

## Generation

New Gas	\$0.7
New Renewables	0.9
Maintenance Capital	0.9
<b>Total</b>	<b>\$2.5</b>

## Electric Distribution

Growth	\$0.7
System Renewal	1.3
Required Relocation	0.2
SMRP	0.3
<b>Total</b>	<b>\$2.5</b>

## Gas Distribution

SMP	\$1.5
Growth	0.7
System Renewal	1.4
Required Relocation	1.0
Manlove Storage	0.4
<b>Total</b>	<b>\$5.0</b>

## Technology

Automated Meters	\$0.4
Systems and Equipment	0.5
<b>Total</b>	<b>\$0.9</b>

# American Transmission Company

WEC portion of investment from 2018-2022 projected at \$1.6 billion

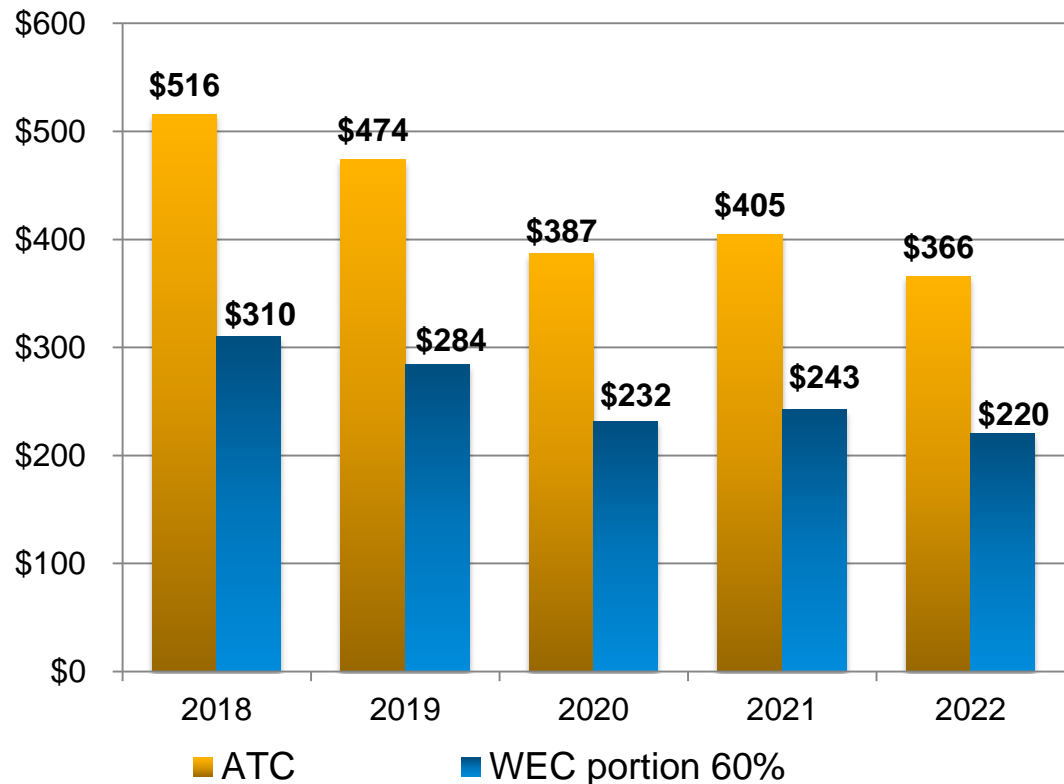
## Key Assumptions

- ATC's 2017 average rate base: \$3.5 billion
- Implies WEC's average rate base growth of \$144 million
- ROE currently under FERC review
- 5-year WEC projected capital investment:
  - Inside footprint: \$1.3 billion
  - Outside footprint: \$300 million

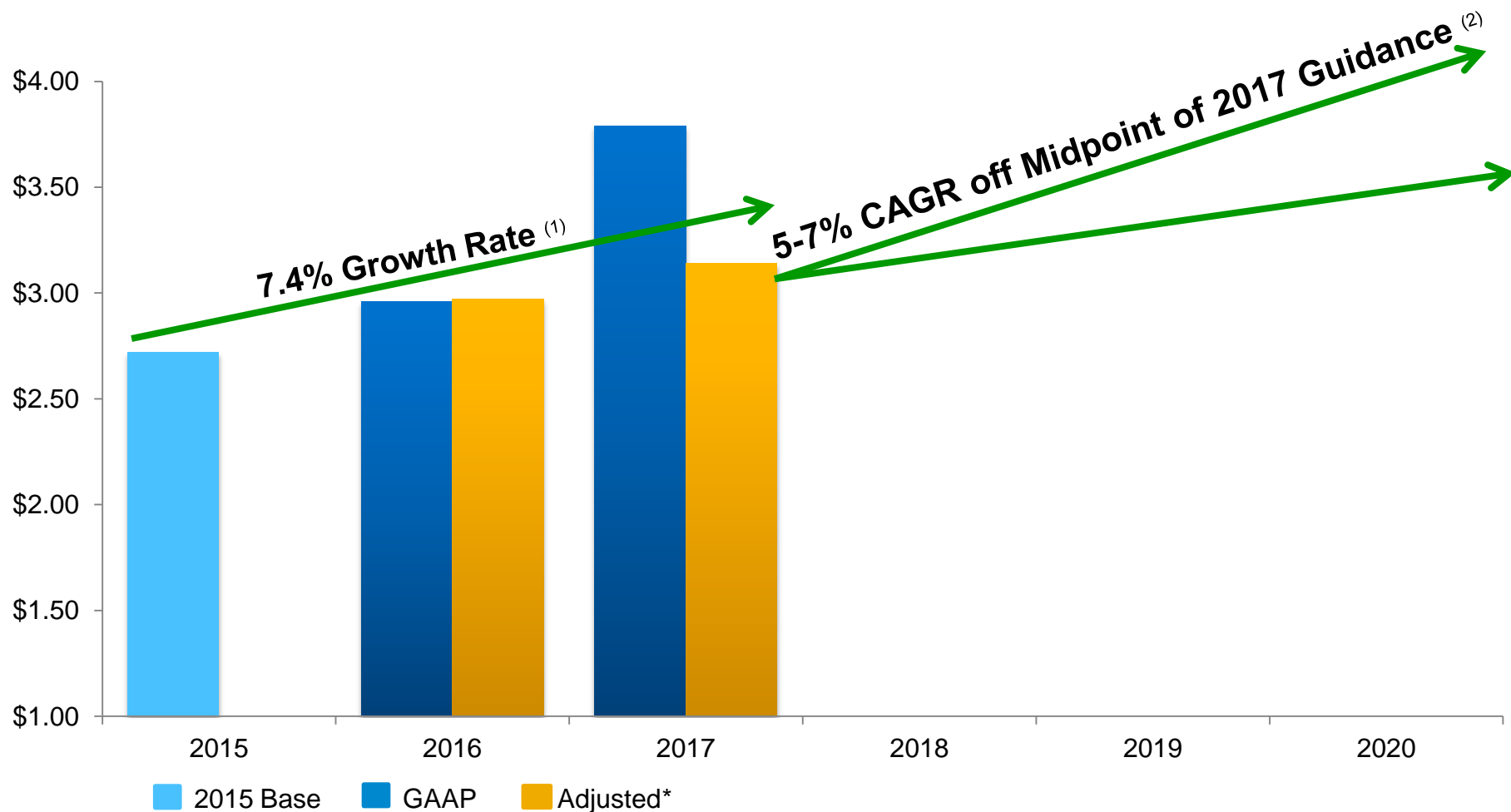
## Projected Capital Expenditures

(Inside Traditional Footprint)

(in millions)



# Confident in Achieving Our EPS Growth Guidance



\* Adjusted earnings per share exclude acquisition costs totaling 1 cent per share in 2016, and exclude a one-time, non-cash gain totaling 65 cents per share related to the new tax law in 2017.

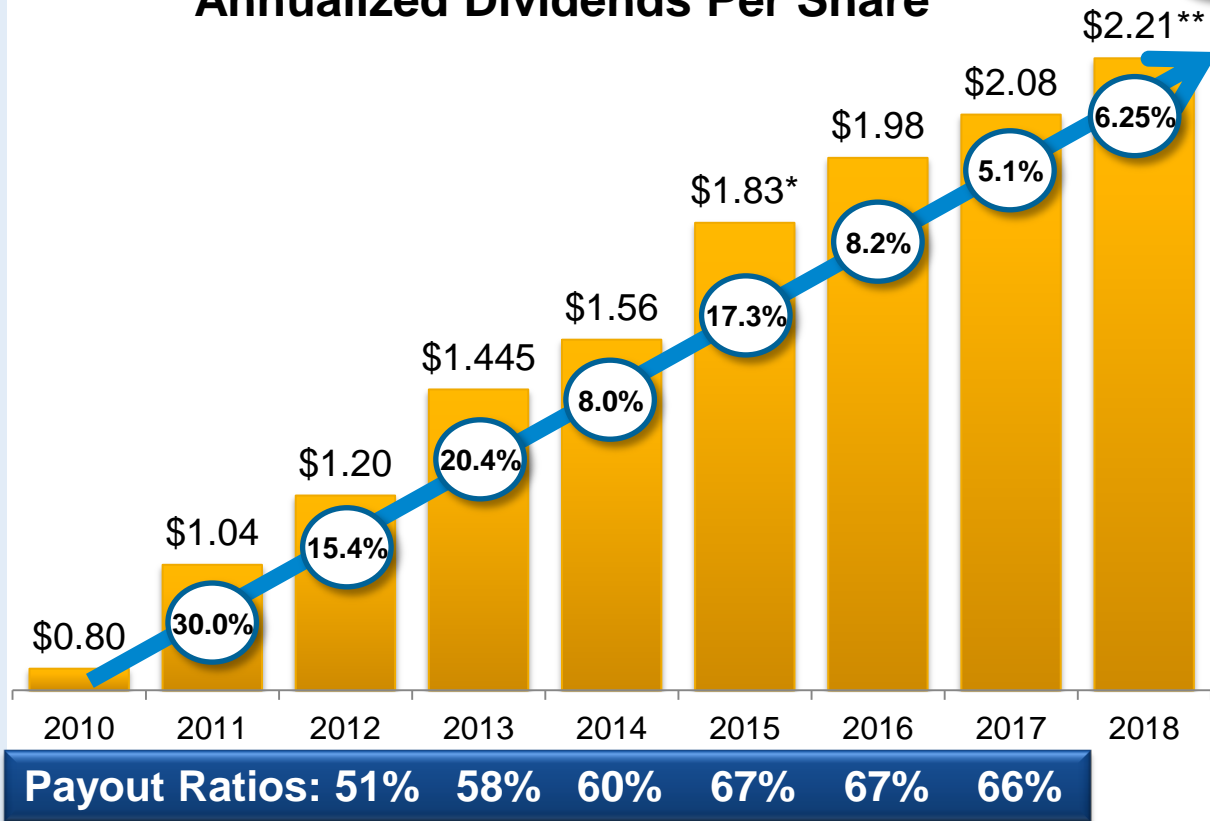
(1) Growth rates off 2015 base of \$2.72 per share and 2017 adjusted EPS

(2) Based on 2017 guidance midpoint of \$3.09

# Solid Dividend Growth Continues

- 13.5% compound annual growth rate off 2010 base
- Continuing to target dividend payout of 65-70% of earnings
- Projecting dividend growth in line with earnings growth

## Annualized Dividends Per Share



\*Annualized based on fourth quarter 2015 dividend of \$0.4575

\*\*Annualized based on 1<sup>st</sup> quarter 2018 dividend of \$0.5525

*Focus on efficiency*

# Reshaping our Generation Fleet for a Clean, Reliable Future

Balancing reliability and customer cost with environmental stewardship

**Our goal is to work with industry partners, environmental groups and the state of Wisconsin with a goal of reducing CO<sub>2</sub> emissions by approximately 40 percent below 2005 levels by 2030.**

- Taken as a whole, changes to our generation fleet should reduce costs to customers, preserve fuel diversity and reduce carbon emissions.
  
- Reshaping our generation includes:
  - Retiring older, fossil-fueled generating units
  - Building state-of-the-art, natural gas generation
  - Investing in cost-effective, zero-carbon generation

Achieving targeted CO<sub>2</sub>  
reductions by 2022

# Retiring Coal-Fueled Generation

- Our plan includes retiring more than 1,800 megawatts (MW) of coal generation by 2020
  - Pulliam Power Plant
    - 200 MW
    - Expected fall 2018 or later
  - Edgewater 4
    - WPS share – 100 MW
    - Expected end of third quarter 2018
  - Presque Isle Power Plant
    - 350 MW
    - Expected mid-2019
  - Pleasant Prairie Power Plant
    - 1,190 MW
    - Expected second quarter 2018



# Building Natural Gas-Fueled Generation

400+ MW of natural gas-fueled generation

Reciprocating Internal Combustion Engines (RICE) are modular, run on natural gas and allow for reliable and flexible operations.

- U.P. of Michigan (UMERC)
  - RICE generation
  - 180 MW
  - Expected in-service – by mid-2019
- West Marinette (WPS)
  - RICE generation
  - 50 MW
  - Anticipated need – 2021
- Option to invest in West Riverside Energy Center
  - Combined cycle
  - 200 MW
  - 2020-2022
- Additional projects being actively developed



# Investing in Zero-Carbon Generation

350+ MW of zero-carbon generation in Wisconsin by 2020

Solar generation technology has greatly improved, become more cost-effective and complements our summer demand curve.

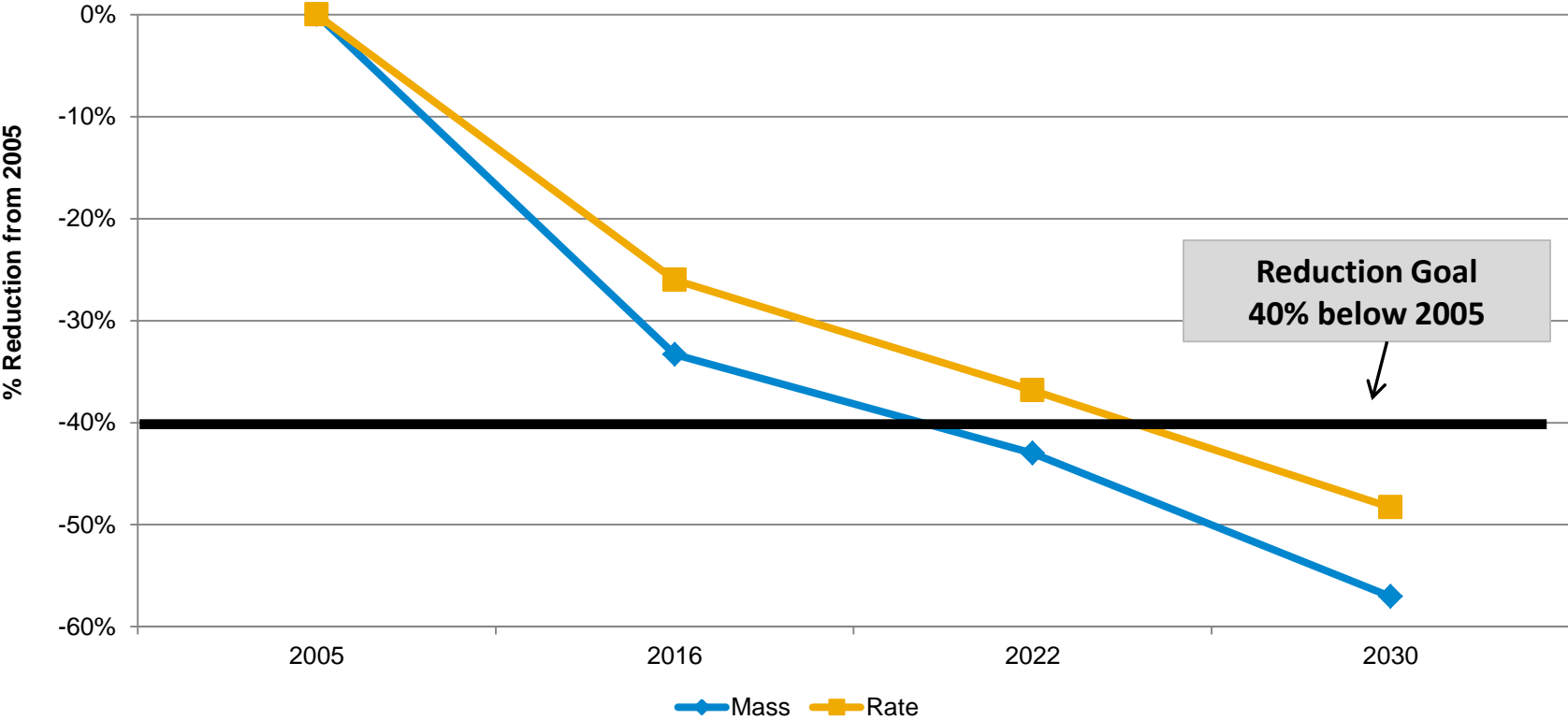
- Solar
  - WPS – purchase 200 MW from developer
  - We Energies – purchase 150 MW from developer
  - Qualifies for Investment Tax Credit (ITC)
- Battery storage
  - Option to add as part of solar developments, if cost effective
  - Qualifies for Investment Tax Credit (ITC)
- Additional projects being actively developed



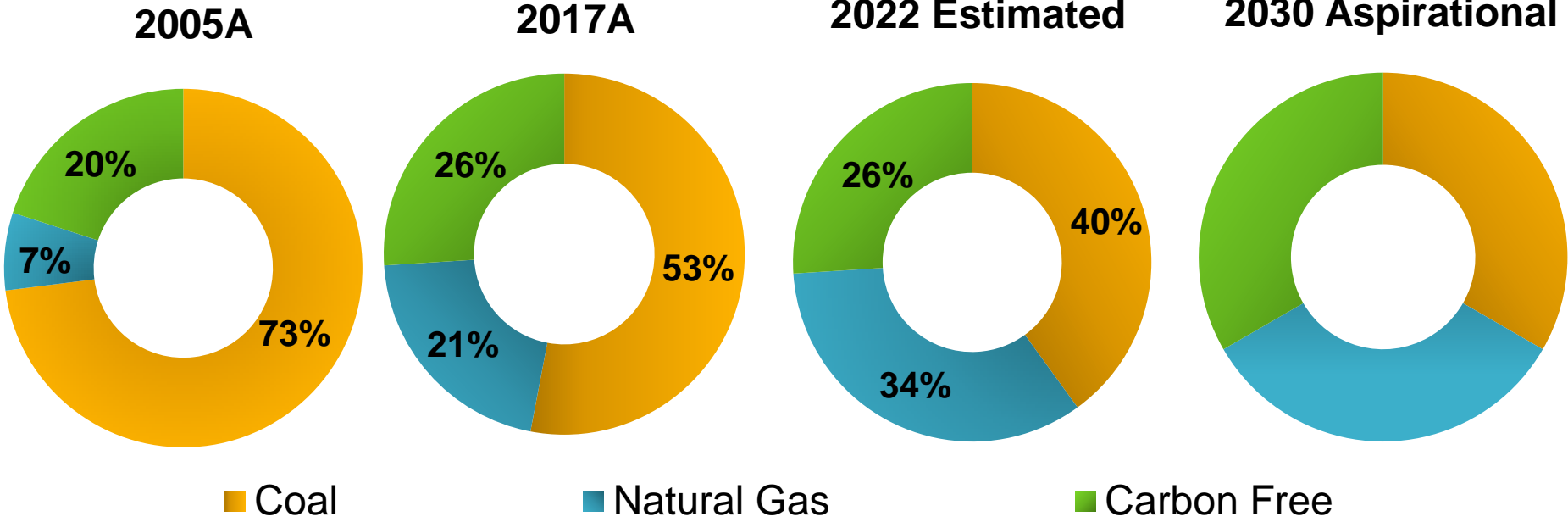


# Achieving Our Carbon Goal

### Anticipated CO<sub>2</sub> Reductions



# Sources of Electric Energy Supply by Fuel Type



# Delivering the Future

## Infrastructure Resilience



- Installing 2,200 miles of underground circuits to replace troublesome overhead lines, and adding distribution automation equipment through our System Modernization and Reliability Project at WPS
- Phase 1 of project is approximately 90% complete
- Phase 2 of project is underway

## Infrastructure Redesign



- Major investments planned to address aging infrastructure
- Expect to spend \$2.7 billion over the next 5 years on electric delivery
- Committed to delivering the future with infrastructure that will reduce operating costs and meet new environmental standards

## Technology Enhancements



- Advanced metering program that uses integrated system of smart meters to enable two-way communication between utilities and customers
- Upgrading the customer information system at We Energies

# System Modernization and Reliability Project

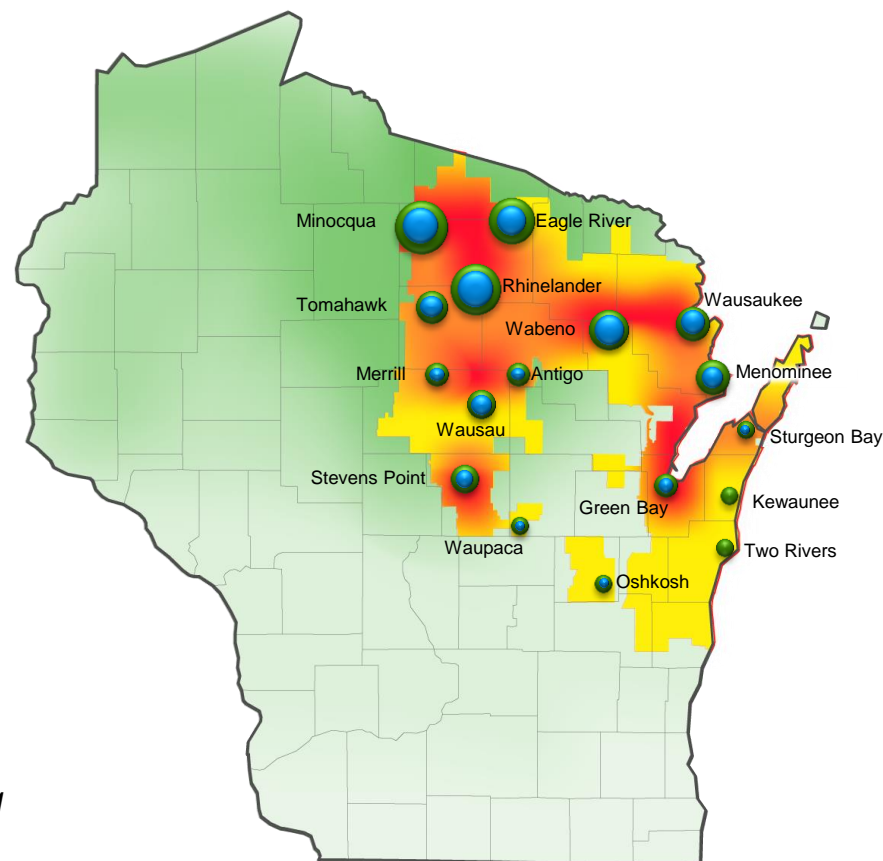
**Phase 1** – install 1,200 miles of underground circuits and add distribution automation equipment on 400 miles

- Project \$220 million investment

**Phase 2** – underground an additional 1,000 miles

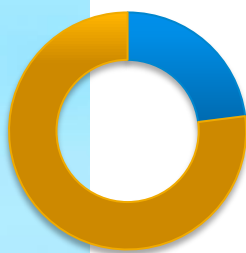
- Project \$210 million investment

*Expect both phases to be complete by 2021*



# Natural Gas System Modernization Program

Extensive effort to modernize natural gas infrastructure in city of Chicago



- Ultimately replace 2,000 miles of piping
- 24% complete\*

Investment recovery under a monthly rider

- Project \$280-\$300 million average annual investment
- Illinois law authorizes rider through 2023

\*Total program completion percentage is based on the weighted average of program categories that comprise the major scope components of the SMP project

## **Advanced Metering Infrastructure (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
- Replaces aging meter-reading equipment on both our network and customer property
- Reduces manual effort for disconnects and reconnects
- Enhances outage management capabilities
- Improves revenue protection and theft detection
- Project to spend approximately \$200 million over the next four years



*Well Positioned for the Future*

## Acquisition of Bluewater Natural Gas Holding



Underground natural gas storage facilities in Michigan that will provide one-third of the storage needs for our natural gas distribution companies in Wisconsin

- Bluewater entered into long-term service agreements with the three Wisconsin gas utilities
- Total acquisition price: \$230 million
- Working gas capacity of 23.2 Bcf
- Expected to provide a utility return on capital
- Public Service Commission of Wisconsin granted declaratory ruling and approval on June 15, 2017
- Closed acquisition on June 30, 2017





~180 MW of clean, natural gas-fired generation from *Reciprocating Internal Combustion Engines (RICE)*

Commercial operation targeted for 2019



## Major Construction Projects

# New Generation in Upper Peninsula

- Provides a long-term generation solution for electric reliability in Upper Peninsula
- Estimated \$266 million (\$277 million including AFUDC) investment to be made by Michigan utility – UMERC
  - Half of investment recovered in retail rates
  - Half of investment recovered by 20-year agreement with Cliffs Natural Resources
- Allows for retirement of Presque Isle Power Plant
- Received approval and final written order on October 25, 2017
- Site preparation has begun





Foxconn announced July 26, 2017, Wisconsin's largest economic development project and largest corporate attraction project in U.S. history, as measured by jobs.

## Foxconn in Wisconsin

- Capital investment by Foxconn of **\$10 billion** dollars
- Goal of creating **13,000 jobs**, with an average salary of **\$53,875**, plus benefits
- Estimated **22,000 indirect jobs** created throughout Wisconsin
- Largest greenfield investment by a foreign-based company in U.S. history as measured by jobs
- One of the largest manufacturing campuses in the world
- Plans to be operational in 2020

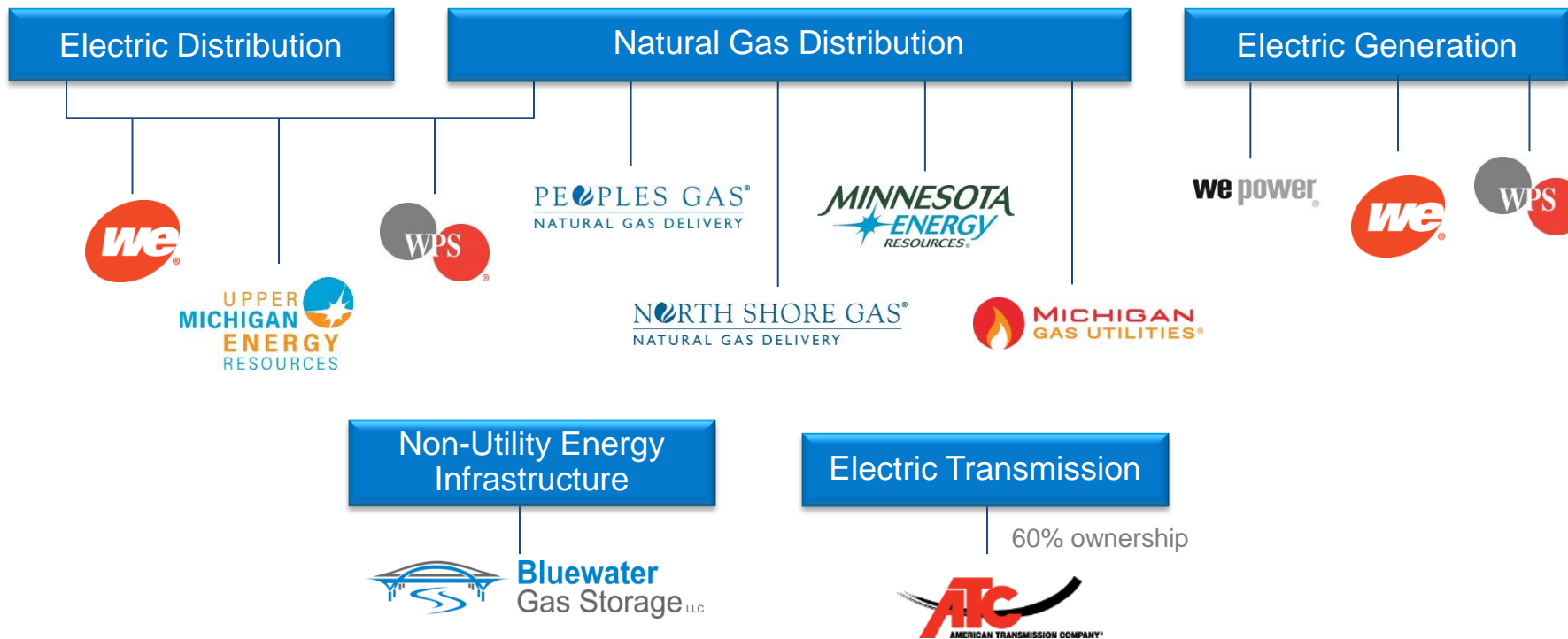
Source: [inWisconsin.com](http://inWisconsin.com)

# Key Takeaways for WEC Energy Group

- Track record of exceptional performance
- Portfolio of premium businesses
- Investment opportunities support 5-7 percent EPS growth with minimal rate impact
- Dividend growth projected to be in line with earnings growth
- No need to issue additional equity through the forecast period
- Poised to deliver among the best risk-adjusted returns in the industry

# Appendix

# WEC Energy Group



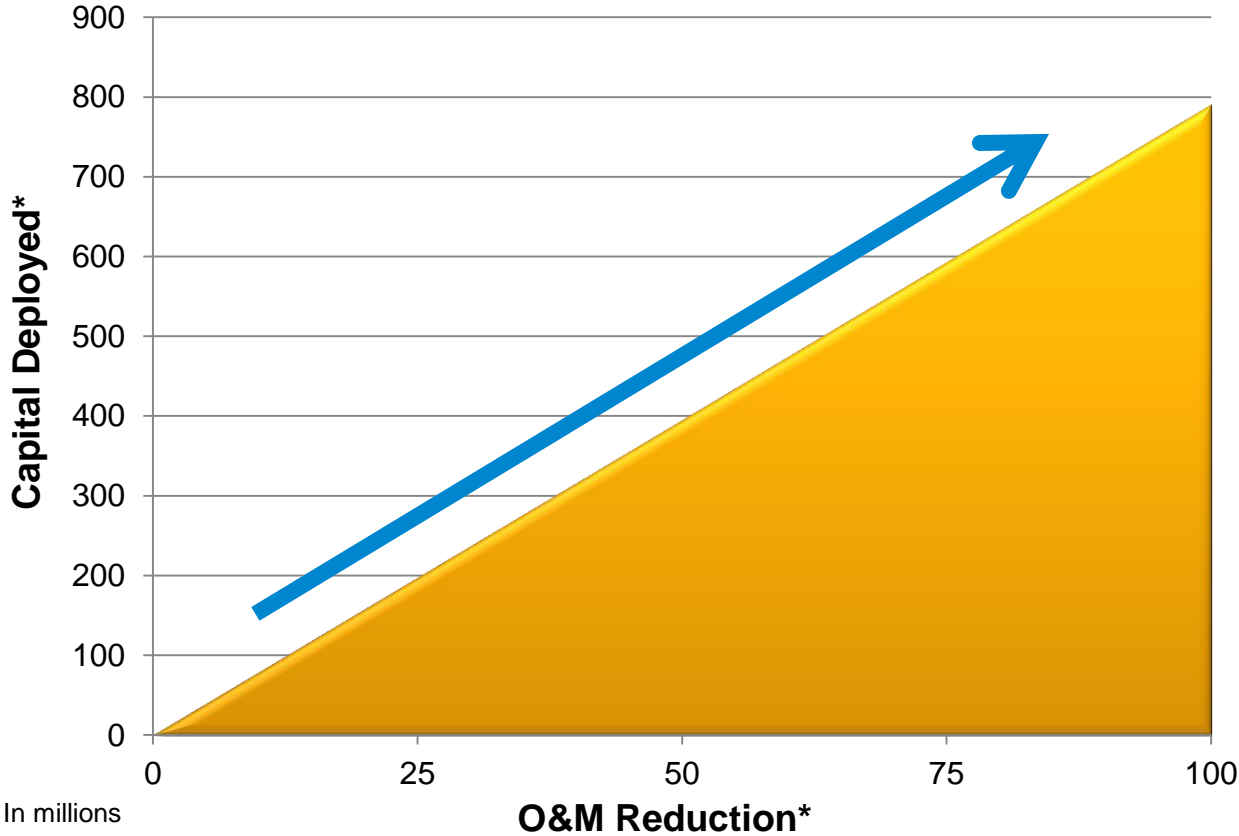
# Still Recognizing Benefits from Acquisition

- WEC Energy Group formed in 2015 when Wisconsin Energy acquired Integrys in a transaction valued at \$9 billion
- Acquisition created the leading electric and natural gas utility in the Midwest
  - Based on the number of customers, WEC Energy Group is the seventh-largest natural gas distributor in the U.S.
- Met or exceeded WEC's acquisition criteria
  - Accretive to earnings per share starting in first full calendar year of combined operations
  - Largely credit neutral
  - Long-term growth prospects of combined entity equal to or greater than stand-alone company

# Saving for Growth

## Reduced O&M leads to incremental capital investment opportunities

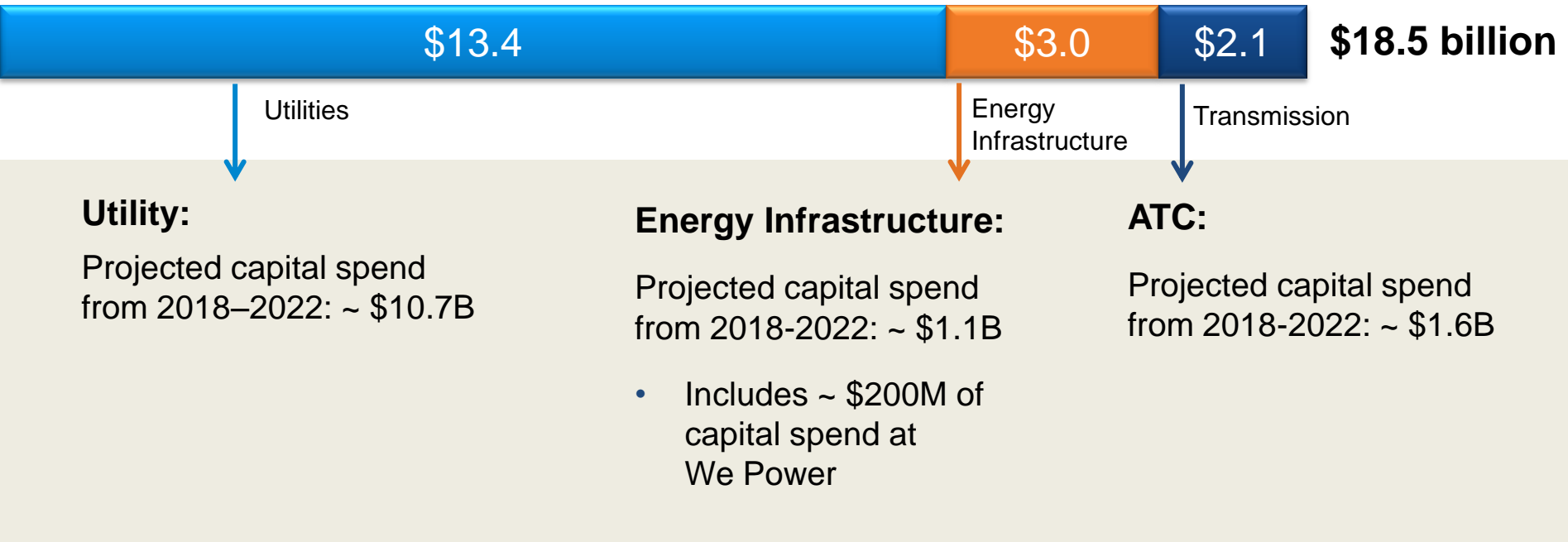
Every dollar in O&M savings results in approximately \$8 of capital investment opportunities, with no expected impact to customer rates



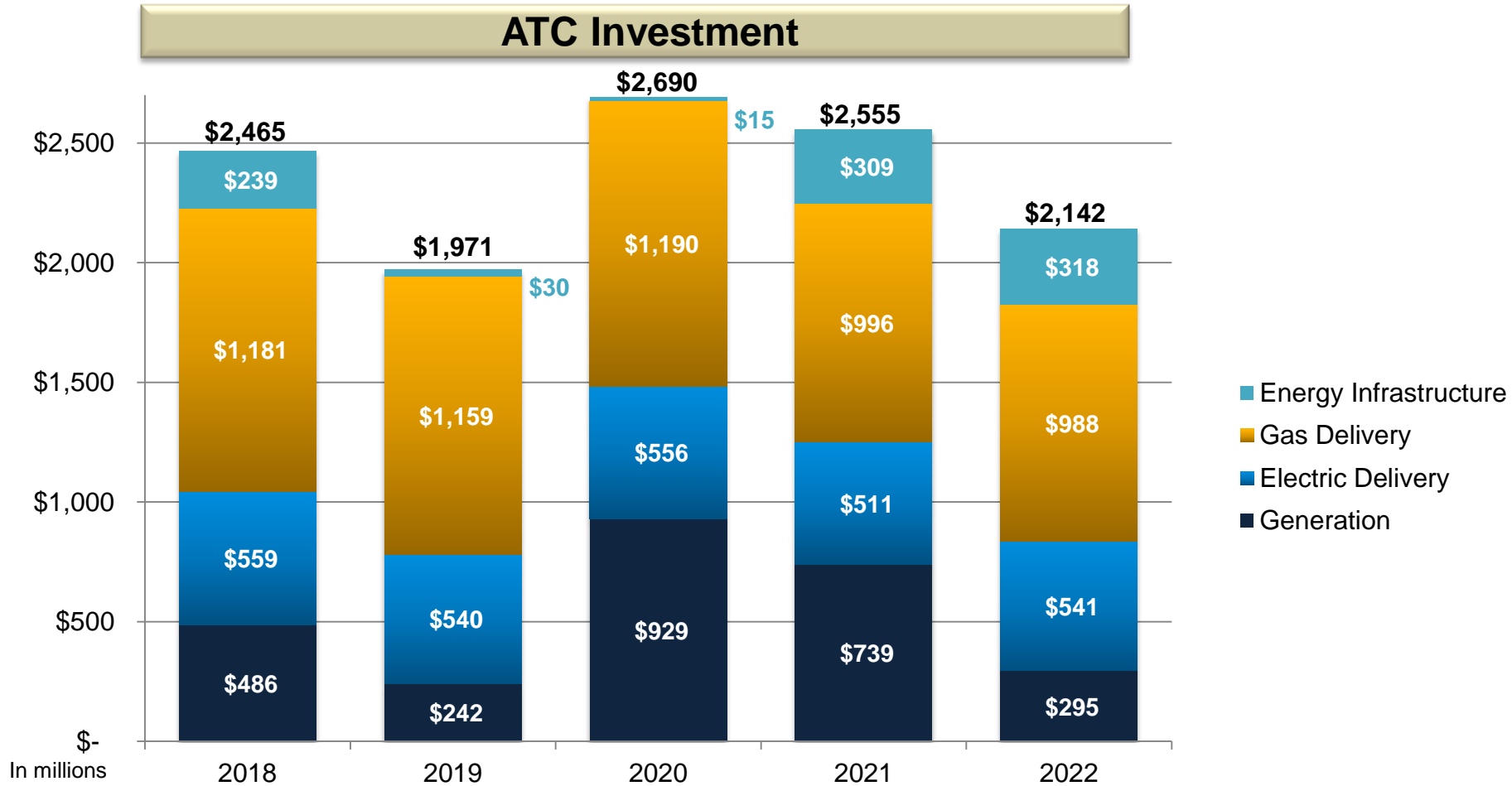
\* Based on a 30-year utility project at Wisconsin Electric

# Earnings Growth Drivers

2017 average rate base (\$ billions)



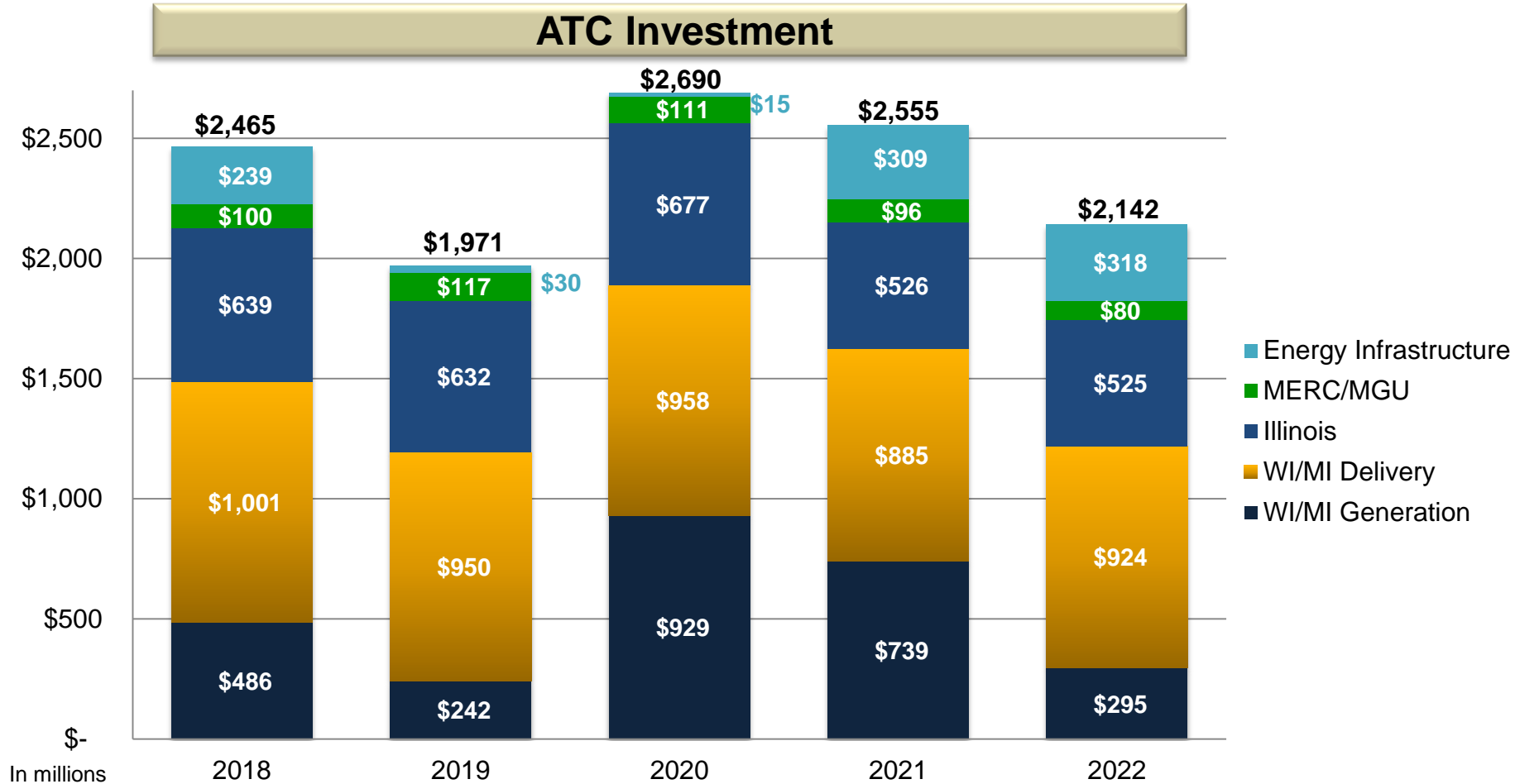
# Capital Plan Drives 5% to 7% EPS Growth



**Approximately \$12 billion** projected capital spend from 2018-2022 plus ATC investment



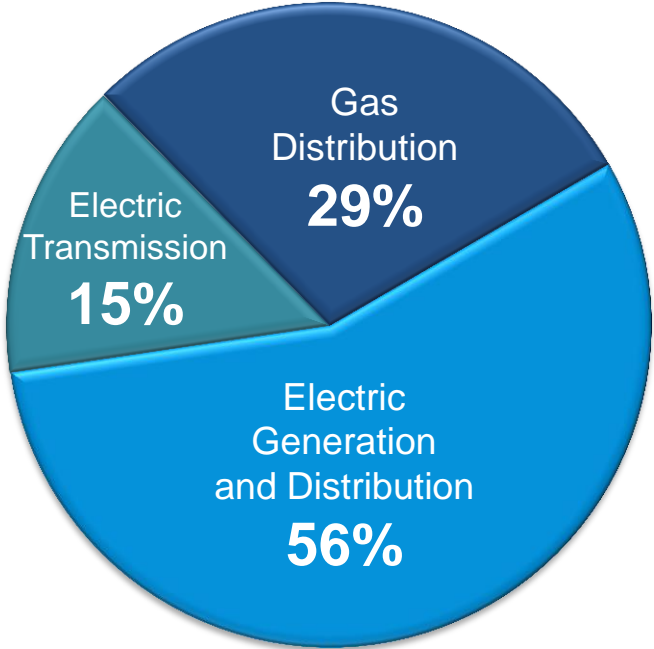
# Robust Capital Projection 2018-2022



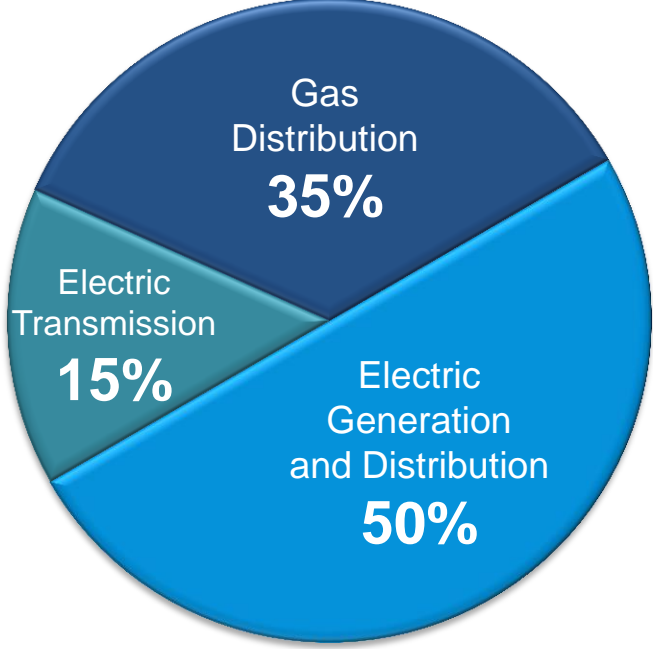
Depreciation at the utilities expected to average \$910 million annually over the 2018-2022 period

# Increasing Natural Gas Distribution Investment

**Average Rate Base  
at 12/31/2017**



**Estimated Rate Base  
at 12/31/2022**



# Power the Future Investments

	Natural Gas	Coal
Capacity	1,090 MW	1,030 MW <sup>1</sup>
Investment	\$664 million	\$2 billion <sup>1</sup>
ROE	12.7%	12.7%
Equity	53%	55%
In Service Dates	Unit 1 – July 2005 Unit 2 – May 2008	Unit 1 – February 2010 Unit 2 – January 2011
Lease Terms	25 years	30 years
Cost Per Unit of Capacity	\$609/kW	\$1,950/kW

- Port Washington Generating Station ranks seventh in nation for natural gas combined-cycle heat rate<sup>2</sup>
- Elm Road Generating Station ranks fourth in nation for coal heat rate<sup>2</sup>

1. All capacity and investment amounts reflect WEC ownership only.

Demonstrated capacity for the coal units is 1,056 MW – value shown in table is amount guaranteed in lease agreement.

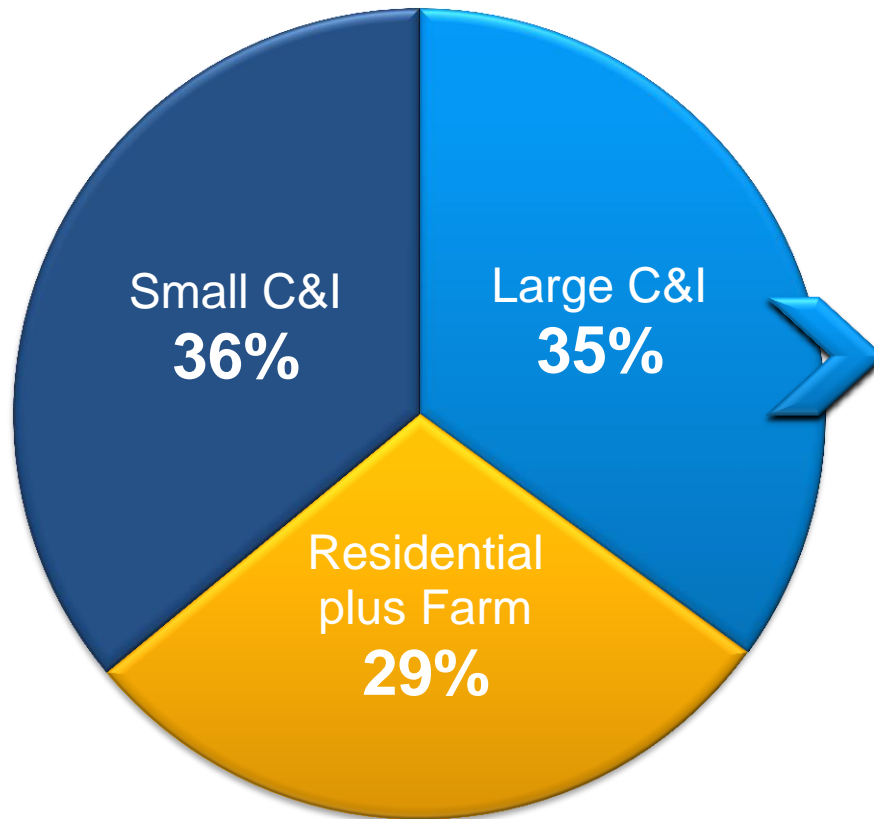
2. Source: Power Engineering

# American Transmission Company – Outside the Traditional Footprint

- Joint venture between Duke Energy and ATC (DATC)
  - Ownership split 50/50 between Duke and ATC
  - WEC current ownership interest is 37%
  - Owns transmission rights to California's Path 15
  - Zephyr Power Transmission project
  - Proposed San Luis Transmission project
- ATC-only outside the footprint
  - WEC interest: 75%
  - Other transmission projects throughout the U.S.
    - Alaska
    - Arizona

# Balanced Sales Mix

2017 Retail MWh Deliveries Mix\*



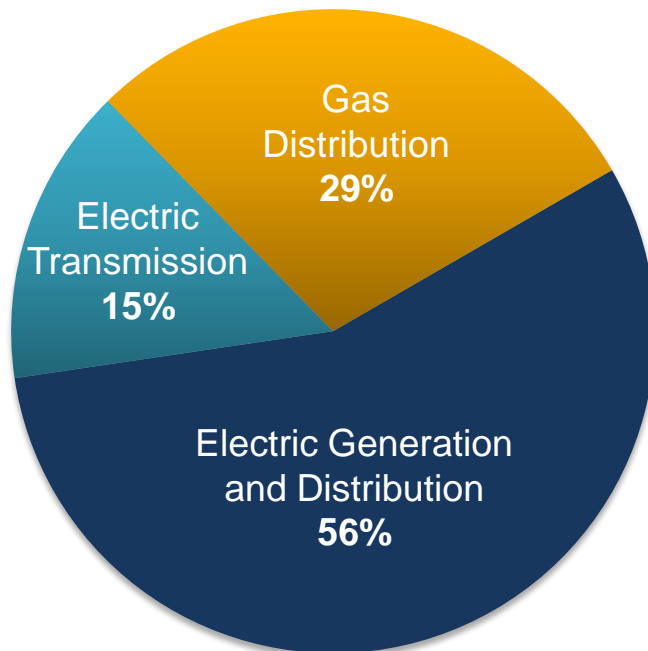
## 35% Large C&I by Segment

Paper	24%
Foundry (SIC 33)	11%
Mining/Minerals	10%
Food/Agriculture	9%
Other Manufacturing	8%
Metal (SIC 34,35,37)	7%
Medical	5%
Office	4%
Education	4%
Printing	3%
Chemical	3%
Other	12%

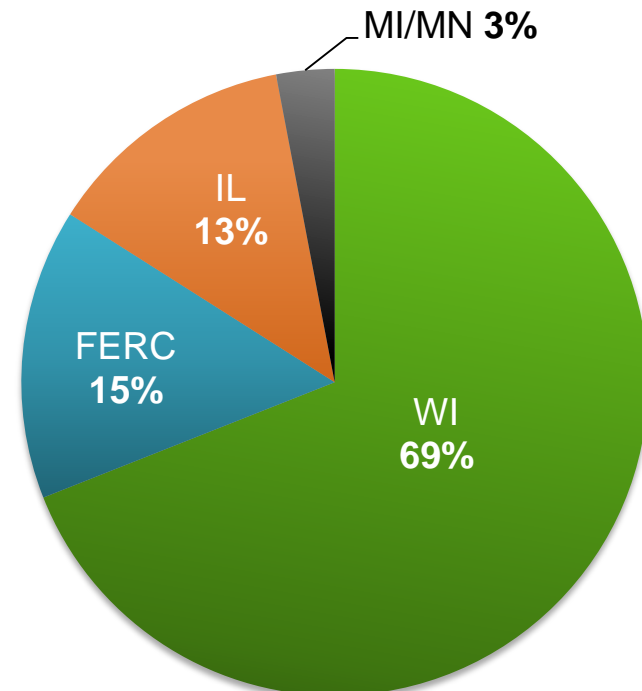
\*Wisconsin segment includes Michigan electric and retail choice customers in the Upper Peninsula

# Diverse Portfolio of Regulated Businesses

## By Business



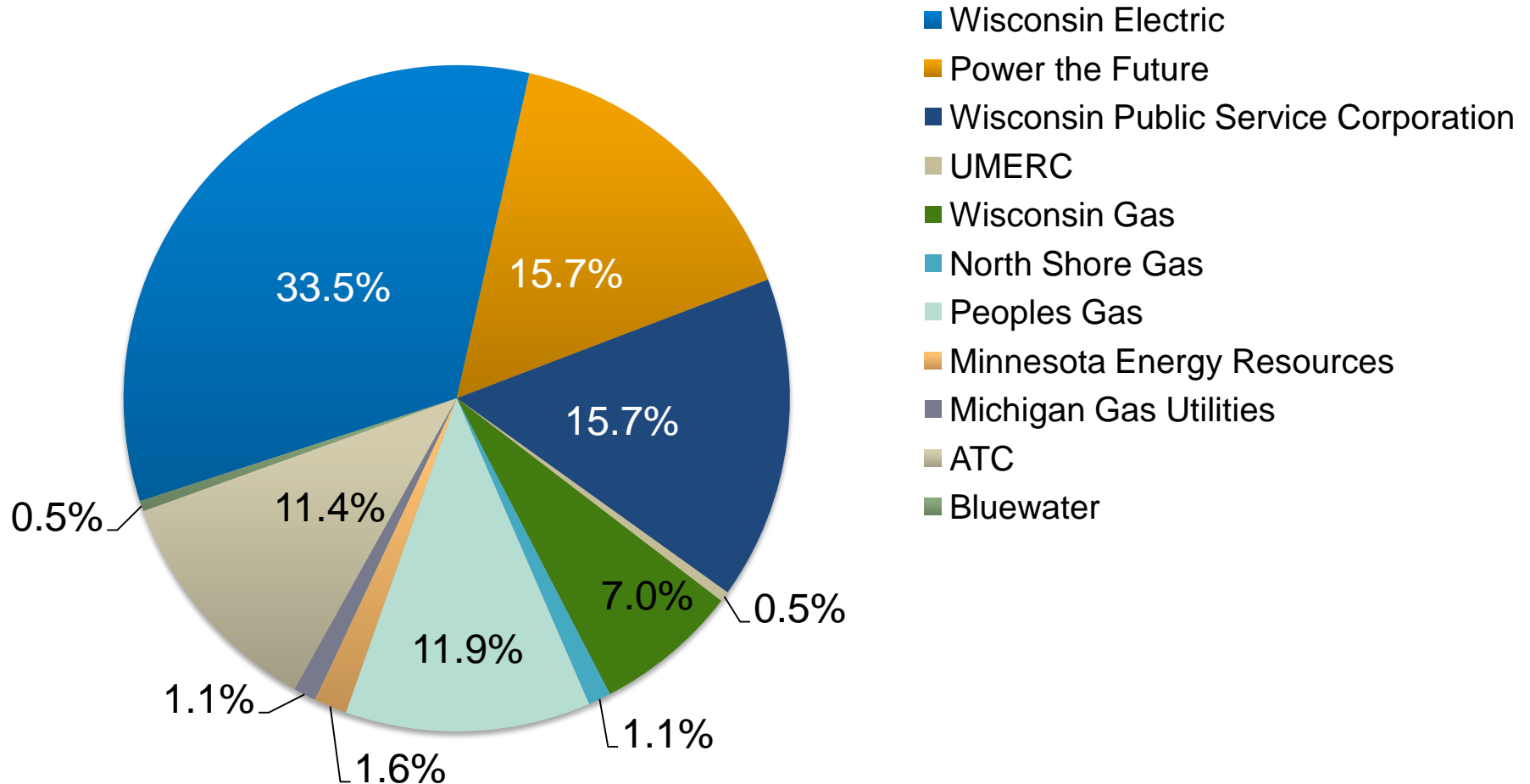
## By Jurisdiction



Based on 2017 average rate base

# Composition of Rate Base

Total 2017 Rate Base of \$18.5 billion



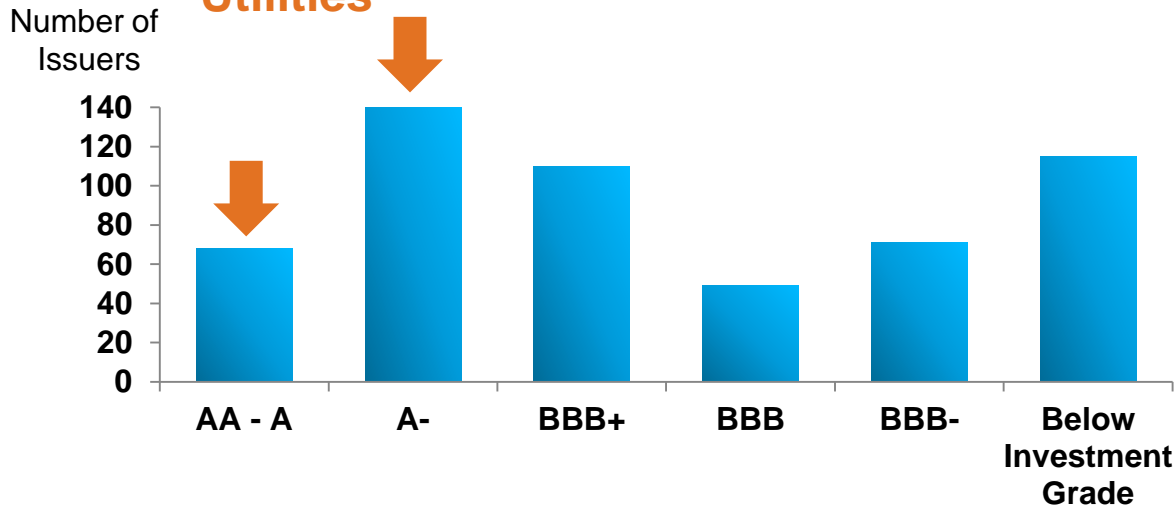
Note: Power the Future value represents investment book value

# Strong Financial Condition

## Electric and Gas Utilities Credit Ratings Distribution\*



Utilities



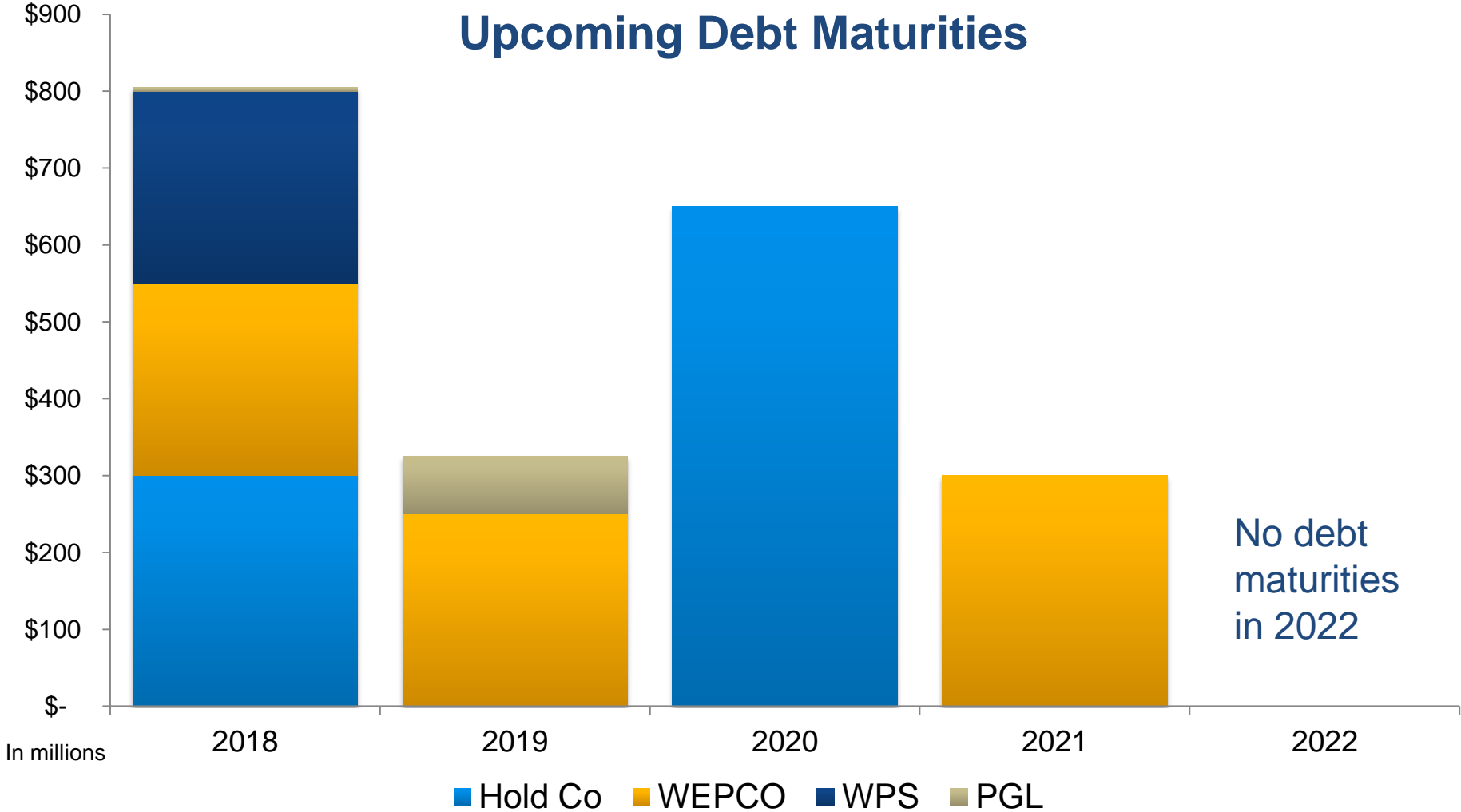
Utility	Rating
Wisconsin Electric	A-
Wisconsin Gas	A
Wisconsin Public Service	A-
Peoples Gas	A-

\*Source: Standard & Poor's Financial Services LLC (January 31, 2018)



# Manageable Levels of Refinancing

## Upcoming Debt Maturities

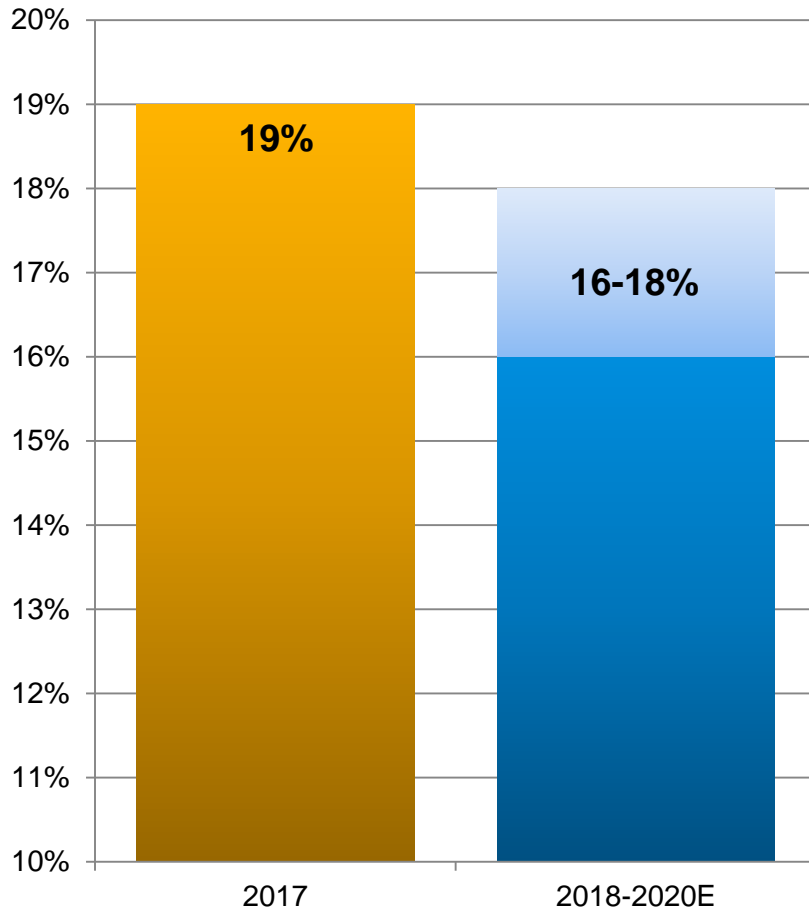


No debt maturities in 2022

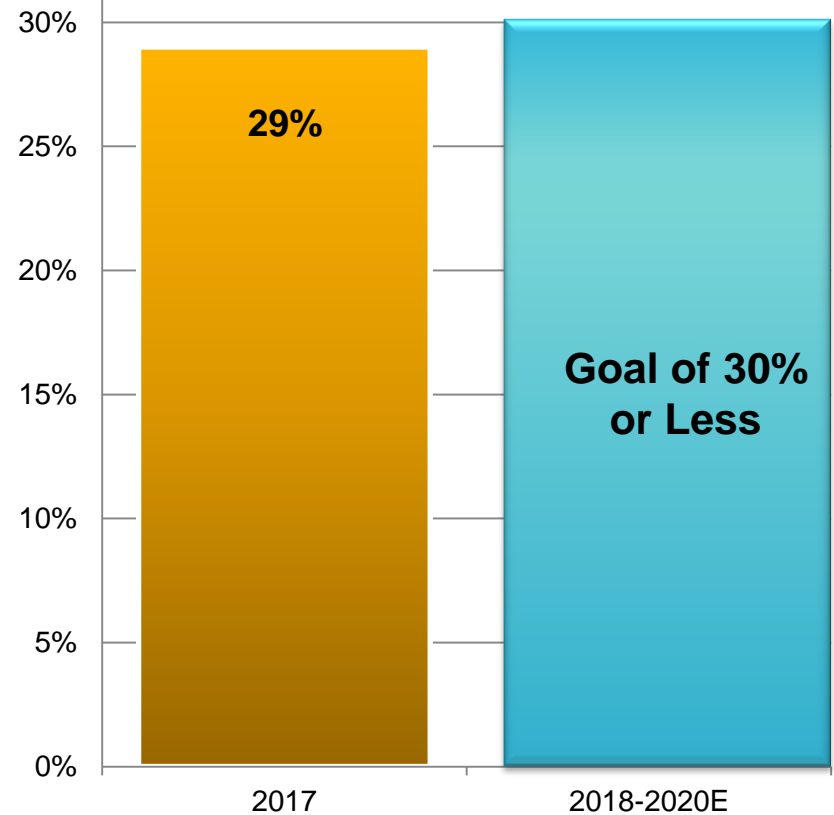
# Balance Sheet Remains Strong

No Equity Issuances Anticipated

## Funds from Operations/Debt



## Holding Company Debt to Total Debt



# Rate-Making Parameters by Company

Utility	Equity Layer <sup>(1)</sup>	Authorized ROE
Wisconsin Electric	48.5%-53.5%	10.2%
Wisconsin Public Service	49.0%-54.0%	10.0%
Wisconsin Gas	47.0%-52.0%	10.3%
Peoples Gas	50.33%	9.05%
North Shore Gas	50.48%	9.05%
Minnesota Energy Resources	50.32%	9.11%
Michigan Gas Utilities	52%	9.9%

- Constructive regulatory environments
- Earnings sharing mechanism at all Wisconsin utilities <sup>(2)</sup>

1. Represents the equity component of capital; rates are set at the mid-point of any range

2. Applied through 2019

# Constructive Rate Making Components

Area	Illinois – Gas	Minnesota – Gas	Michigan– Electric & Gas	Wisconsin – Gas	Wisconsin – Electric
Gas Pipeline Replacement Rider	PGL				
Bad Debt Rider	X				
Bad Debt Escrow Accounting				WE / WG	WE
Decoupling	X	X			
Fuel Cost Recovery	1 for 1 recovery of prudent fuel costs				+/- 2% band
Manufactured Gas Plant Site Clean Up Recovery	X	X	X	X	N/A
Tax Rider	Investment Capital Tax				
Forward-looking test years	X	X	X	2 years	2 years
Earnings cap/sharing				50/50 first 50 bp above allowed ROE, 100% to customers beyond 50 bp*	

\*Applied through 2019

# Regulatory and Open Docket Update

Estimated Key Dates

## Wisconsin (apps.psc.wi.gov)



- Decision regarding proposed rate case settlement for all Wisconsin utilities (Dockets: We Energies – 5-UR-108 and WPS – 6690-UR-125) ✓
- Received approval on acquisition of Bluewater Natural Gas Holding Co. ✓

## Illinois (icc.illinois.gov)



- Final Commission order on System Modernization Project (Docket 16-0376) ✓
- Order received on 2014 QIP reconciliation ✓
- No rate case filing expected for 2018

## Michigan (michigan.gov/mpsc)



- Received approval on proposed new generation of natural-gas-fired Reciprocating Internal Combustion Engines (RICE) in the Upper Peninsula (Docket U-18224) ✓

## Minnesota (mn.gov/puc)



- Interim rate increase of \$9.5 million or 3.8% effective January 1, 2018\* ✓
- Decision on proposed base rate increase of \$12.6 million or 5.0%

Q4 2018

## FERC (ferc.gov)

- Decision on second MISO/ATC ROE Complaint (Docket EL15-45)

Q2 2018



\* Interim rates will decrease \$2.5 million (\$7.0 million) on April 1, 2018 to reflect changes related to tax reform

# Regulatory Environment

## Wisconsin

- Governor Scott Walker (R)
- Commission
  - Gubernatorial appointment, Senate confirmation
  - Chairman: Gubernatorial appointment
  - 6-year staggered terms

Wisconsin Commissioners			
Name	Party	Began Serving	Term Ends
<b>Lon Roberts</b> <i>Chair</i>	R	03/2017	03/2023
<b>Mike Huebsch</b>	R	03/2015	03/2021
<b>Open</b>			

## Michigan

- Governor Rick Snyder (R)
- Commission
  - Gubernatorial appointment, Senate confirmation
  - Chairman: Gubernatorial appointment
  - 6-year staggered terms

Michigan Commissioners			
Name	Party	Began Serving	Term Ends
<b>Sally Talberg</b> <i>Chair</i>	I	07/2013	07/2021
<b>Norm Saari</b>	R	08/2015	07/2019
<b>Rachael Eubanks</b>	I	08/2016	07/2023

# Regulatory Environment

## Illinois

- Governor Bruce Rauner (R)
- Commission
  - Gubernatorial appointment, Senate confirmation
  - Chairman: Gubernatorial appointment
  - 5-year staggered terms

Illinois Commissioners			
Name	Party	Began Serving	Term Ends
<b>Brien Sheahan</b> <i>Chair</i>	R	01/2015	01/2020
<b>John Rosales</b>	D	03/2015	01/2019
<b>Sadzi Martha Olivia</b>	R	01/2017	01/2022
<b>D. Ethan Kimbrel</b>	D	01/2018	01/2023
<b>Anastasia Palivos</b>	I	01/2018	01/2023

## Minnesota

- Governor Mark Dayton (D)
- Commission
  - Gubernatorial appointment, Senate confirmation
  - Chairman: Gubernatorial appointment
  - 6-year staggered terms

Minnesota Commissioners			
Name	Party	Began Serving	Term Ends
<b>Nancy Lange</b> <i>Chair</i>	D	02/2013	01/2019
<b>John Tuma</b>	R	02/2015	01/2021
<b>Dan Lipschultz</b>	D	01/2014	01/2020
<b>Matt Schuerger</b>	R	01/2016	02/2022
<b>Katie Sieben</b>	D	01/2017	01/2023

# Regulatory Environment

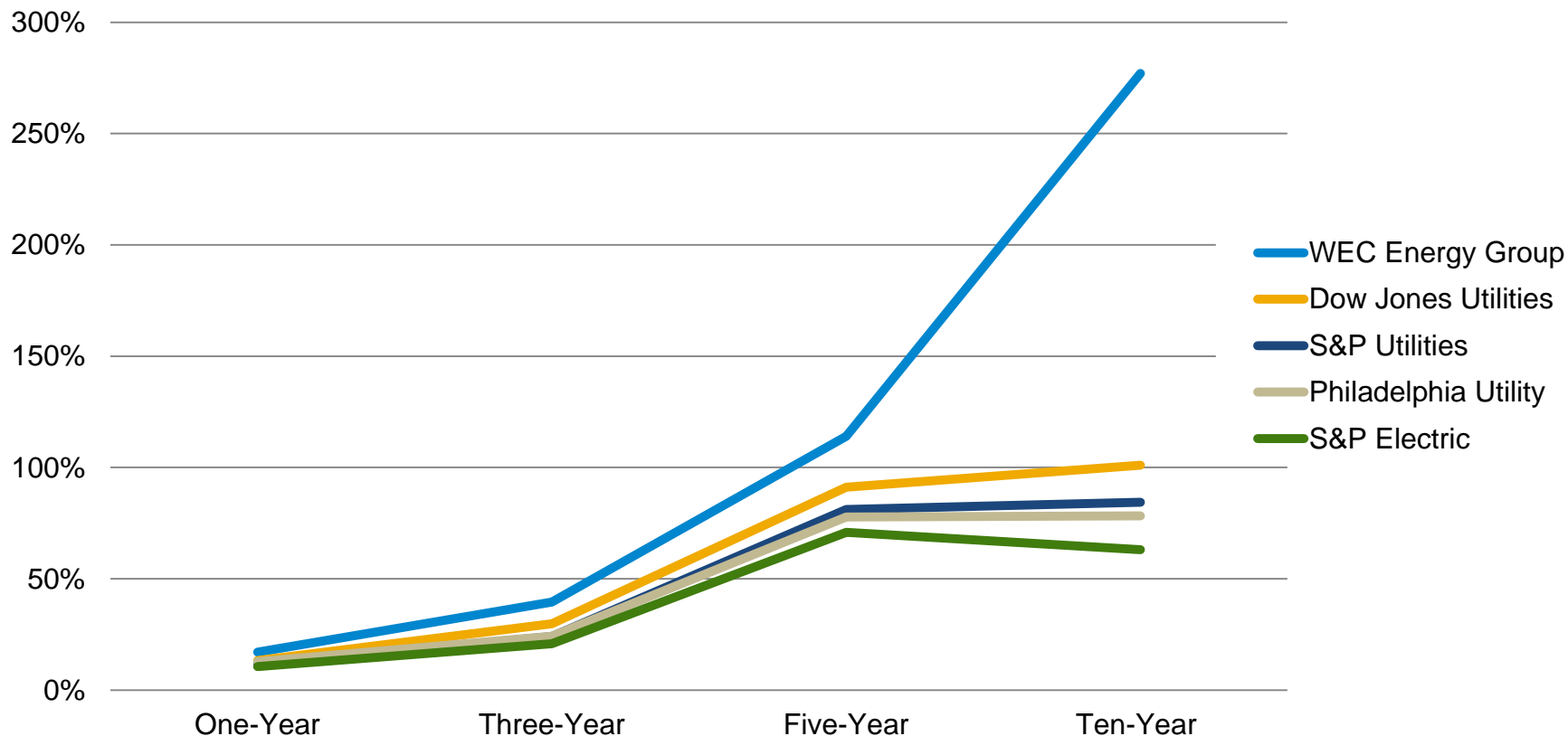
- FERC
  - Presidential appointment, Senate confirmation
  - 5-year term

FERC Commissioners			
Name	Party	Began Serving	Term Ends
<b>Neil Chatterjee</b> <i>Chairman</i>	R	08/2017	06/2021
<b>Cheryl LaFleur</b>	D	07/2014	06/2019
<b>Robert Powelson</b>	R	08/2017	06/2020
<b>Richard Glick</b>	D	11/2017	06/2022
<b>Kevin McIntyre</b>	R	11/2017	06/2023



# Industry Leading Total Shareholder Returns\*

Over the past decade, WEC Energy Group has consistently delivered among the best total returns in the industry



\* Total return including reinvested dividends for the 10 years ended December 31, 2017

# Meeting and Exceeding Commitments

Commitments		Results
Deliver among the best risk-adjusted returns in the industry	✓	<ul style="list-style-type: none"> <li>Adjusted EPS 10-year CAGR of 8% (2007-2017)</li> <li>Dividend CAGR of 13.5% (2010-2018)</li> </ul>
Reduce 2017 O&M by 3% off 2016 base	✓	O&M reduction of more than 6% year over year
Maintain strong financial condition	✓	All utilities achieved “A” credit ratings
Deliver world-class reliability	✓	We Energies named most reliable utility in America in 2017 and best in the Midwest for seven years running*
Provide exceptional customer and community support	✓	Named one of the 50 Best Corporate Citizens in America by Corporate Responsibility magazine, and ranked #2 in our sector
Grow our regulated businesses and leverage our expertise	✓	Diversified across four state jurisdictions and FERC

\* As reported by PA Consulting Group on November 30, 2017

# Contact Information



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