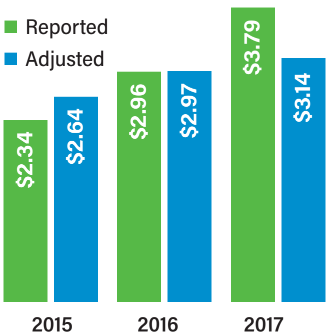
WEC Energy Group

FOCUSED ON PERFORMANCE

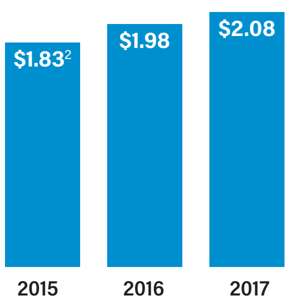
A TRACK RECORD OF RESULTS

2017 Annual Report
Notice of 2018 Annual Meeting and Proxy Statement

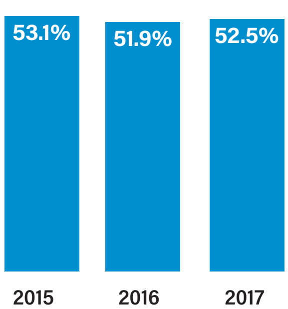
Earnings per share[1]



Dividends per share



Year-end debt to total capital[3]



1. Adjusted earnings per share exclude costs related to the acquisition of Integrys totaling 30 cents per share and 1 cent per share in 2015 and 2016, respectively. Adjusted 2017 earnings per share exclude a one-time, non-cash gain of 65 cents per share related to the new tax law.
2. Annualized based on 4th quarter 2015 dividend of $0.4575.
3. Attributes $250 million of 2007 Series A Junior Subordinated Notes to common equity. A majority of the rating agencies currently attribute at least 50% common equity to these securities. For further details, see Capital Resources under Liquidity and Capital Resources in the 2017 annual financial statements.

Financial Snapshot

(In millions, except per share data and percentages)

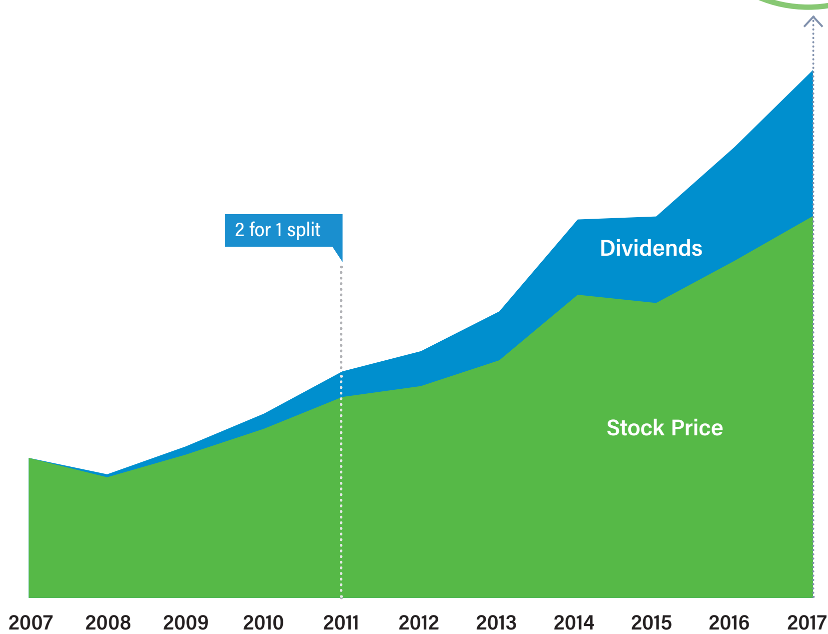
	2017	2016	Change
GAAP Earnings	$1,203.7	$939.0	28%
GAAP Earnings per share	$3.79	$2.96	28%
Adjusted earnings*	$997.0	$941.1	6%
Adjusted earnings per share*	$3.14	$2.97	6%
Dividends per share	$2.08	$1.98	5.1%
Dividend yield	3.1%	3.4%	
Diluted average shares outstanding	317.2	316.9	
GAAP return on average common equity	13.09%	10.68%	
Adjusted return on average common equity*	10.84%	10.70%	
Book value per share	$29.98	$28.29	6%
Total assets	$31,591	$30,123	5%
Market price per share at year-end	$66.43	$58.65	13%
Market capitalization at year-end	$20,964	$18,511	13%

* Excludes $206.7 million ($0.65 per share) of tax benefits related to the new tax law in 2017, and $3.5 million of pre-tax acquisition costs and a related $1.4 million ($0.01 per share) tax impact in 2016.

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 has grown to a total value of **$377**



To our stockholders,

I'm pleased to report that our company delivered another year of progress in 2017. On virtually every meaningful measure – from network reliability to customer satisfaction to community involvement – we continued to perform at a high level.

We achieved record financial results. Our largest utility, We Energies, was named the most reliable utility in America and the best in the Midwest for the seventh year running. We made significant progress upgrading the natural gas infrastructure in Chicago. And after reviewing our environmental, social and governance practices, Corporate Responsibility Magazine named us one of the best corporate citizens in the nation.

In addition, our track record of reliability and competitive pricing was a factor in the decision by Foxconn Technology Group to invest $10 billion in a massive, high-tech manufacturing campus in Wisconsin. This is one of the largest economic development projects in American history. We expect Foxconn to employ 13,000 people as they create a brand new industry here in the United States.

Now, for a few details. Our adjusted earnings for 2017 totaled $3.14 a share – the highest earnings per share in company history. These reported earnings ***exclude*** a one-time, non-cash gain of 65 cents a share from the tax reform law that was signed last December. This one-time, non-cash gain reflects the application of the new tax law to the company's non-utility assets and to the assets of the parent company.

Over time, the impact of tax reform will also benefit our utilities. And we are filing plans with regulators in each of the four states we serve to channel the impact of a lower tax rate into direct benefits for customers.

In addition, there were a number of other positive regulatory developments during the year. In August, the Wisconsin Public Service Commission unanimously approved our proposed rate settlement. Base rates for all of our Wisconsin utilities will remain flat for 2018 and 2019. In total, this will keep base rates frozen for four years and essentially gives our customers price certainty through 2019.

As part of the agreement, we also expanded and made permanent certain pricing options for our large electric customers. These options will continue to help many of our customers grow their businesses, create jobs and reduce their energy costs.

In Illinois, we continue to make real progress on the Peoples Gas System Modernization Plan. On January 10 of this year – after an extensive review – the Illinois Commerce Commission issued an order that supports continuing the program at the scope, pace and investment level that we proposed. This program is critical to providing our Chicago customers with a natural gas delivery network that is modern, safe and reliable. For many years to come, we'll be replacing outdated natural gas piping – some of which was installed more than a century ago – with state-of-the-art materials.

Turning to Michigan, we obtained final regulatory approval last October for the construction of approximately 180 megawatts of new, natural gas-fired generation in the Upper Peninsula. Site preparation began within days of the commission order.

Gale E. Klappa, Chairman and Chief Executive Officer and Allen L. Leverett, President (currently on medical leave)

Our plan is to bring the new facilities into commercial service by mid-2019, and at that time or soon thereafter, we expect to retire our coal-fired power plant in Marquette, Michigan.

The project calls for a $266 million investment in reciprocating internal combustion engines. We call these RICE units. These units, which will be owned by one of our Michigan utilities, will provide an affordable, long-term power supply for customers in the Upper Peninsula, including the iron ore mine owned by Cleveland-Cliffs.

The RICE units are part of our new five-year capital investment plan. Totaling $11.8 billion, our updated capital plan is focused on reshaping our generation fleet for a clean, reliable future.

Our approach calls for greater reliance on natural gas and solar energy to meet customer demand for electricity. We plan to add another 50 megawatts of RICE generation in northern Wisconsin by 2021. We also have the option to invest up to $200 million in the Riverside power plant – a natural gas-fired facility being built by Alliant Energy.

And importantly, we plan to expand our portfolio of renewable generation. Over the past five years, utility-scale solar has increased in efficiency, and prices have dropped by approximately 70 percent. These factors make solar a cost-effective option for our customers – an option that also fits very well with our summer demand curve. We're in active discussions with developers, and we plan to file for approvals with the Wisconsin commission this spring.

As we look to the future, the company has a solid financial base and a strong pipeline of investment opportunities. With confidence in our future prospects, the board of directors raised the quarterly dividend at its January meeting to 55.25 cents a share – an increase of 6.25 percent over the previous rate. This will mark the 15th consecutive year that our company will reward our shareholders with higher dividends.

We continue to target a dividend payout ratio of 65 to 70 percent of earnings. We're in the middle of that range now, so I expect our dividend growth will continue to be in line with the growth in our earnings per share.

On a personal note, I know that all of you are interested in an update on Allen Leverett's recovery from the stroke he suffered last October. Allen, of course, succeeded me as chief executive in 2016.

As of the date of this writing, I can report to you that Allen is in good physical condition, and he continues to make progress in his recovery and rehabilitation work. Among other activities, Allen has been engaged in extensive speech therapy.

No specific time table has been established for his return to the company. So, as we announced a few months ago, I have agreed to serve as chief executive for as long as necessary.

Thank you for your confidence, your support and your investment in WEC Energy Group.

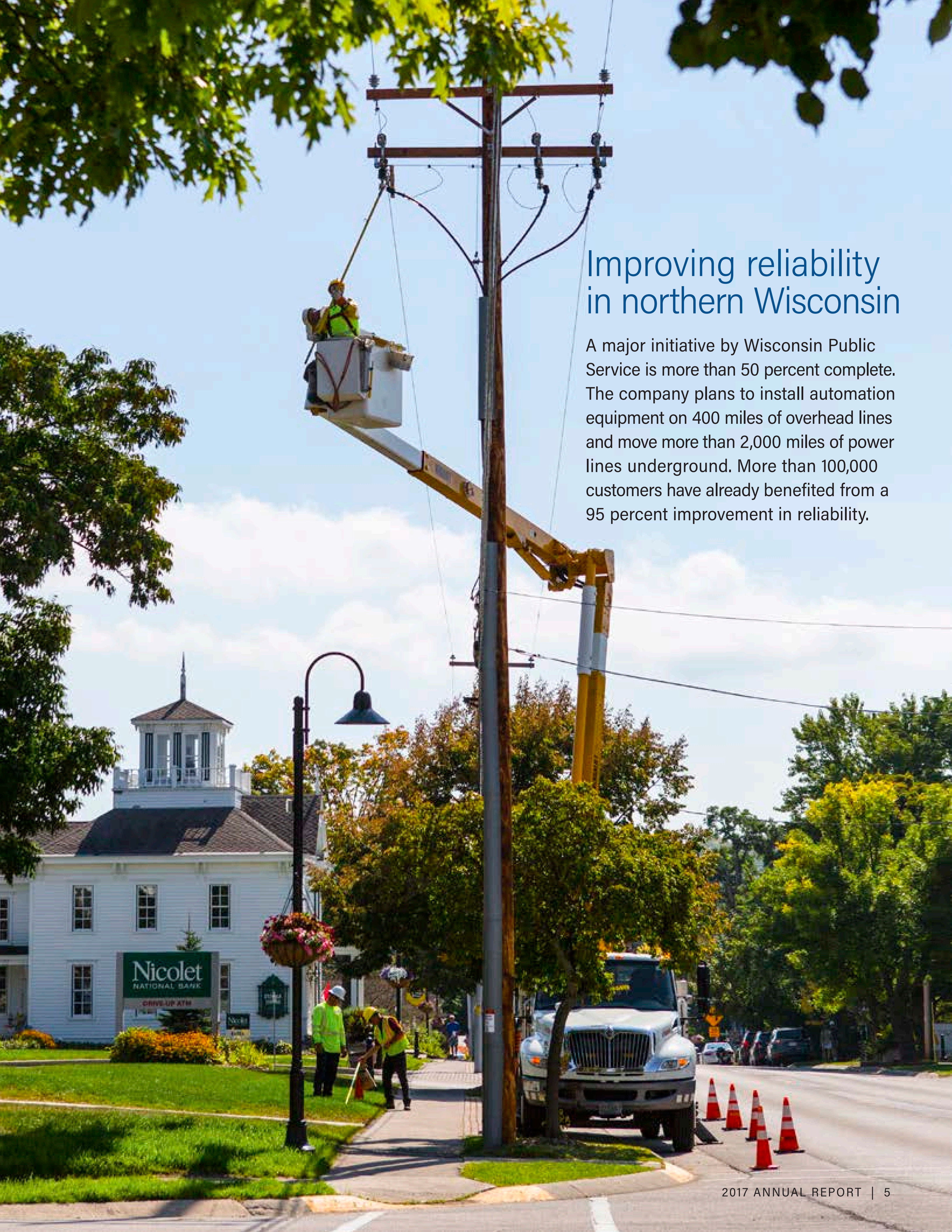
Sincerely,

Gale E. Klappa
Chairman and Chief Executive Officer
Feb. 28, 2018

We Energies named America's **BEST** at keeping the lights on.

Upgrading Chicago's natural gas infrastructure

Peoples Gas is installing modern natural gas pipelines to serve the city of Chicago. This extensive program will provide a safer and more reliable system by replacing an outdated network of cast and ductile iron pipe – some installed over a century ago. To date, the program is approximately 24 percent complete.



Improving reliability in northern Wisconsin

A major initiative by Wisconsin Public Service is more than 50 percent complete. The company plans to install automation equipment on 400 miles of overhead lines and move more than 2,000 miles of power lines underground. More than 100,000 customers have already benefited from a 95 percent improvement in reliability.

An energy industry leader

WEC Energy Group is one of the nation's largest electric and natural gas delivery companies, with deep operational expertise, scale and financial resources to meet the Midwest region's energy needs.

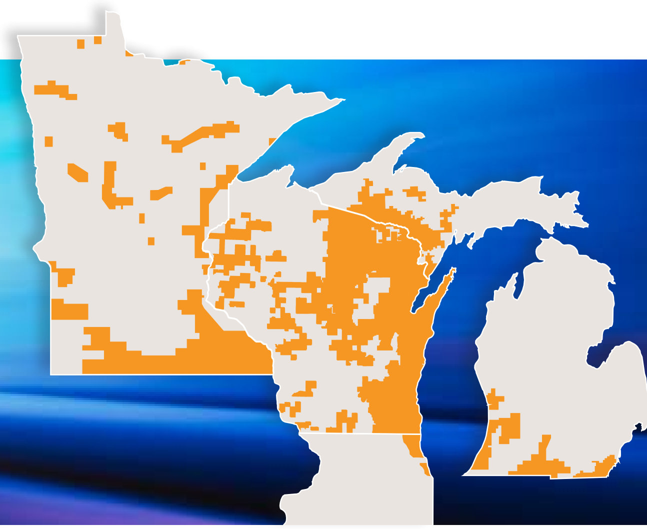
69,600 miles
of electric distribution

49,000 miles
of natural gas distribution and transmission lines
(including mains)

8,700 megawatts
of power capacity

8,000 employees

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



WEC Energy Group includes the following companies:

We Energies delivers electricity, natural gas and steam to more than 2.2 million customers in Wisconsin.

Wisconsin Public Service delivers electricity and natural gas to more than 770,000 customers in northeast and central Wisconsin.

Michigan Gas Utilities delivers natural gas to more than 176,000 customers in southern and western Michigan.

Minnesota Energy Resources delivers natural gas to more than 235,000 customers in communities across Minnesota.

Peoples Gas delivers natural gas to more than 845,000 customers in the city of Chicago.

North Shore Gas delivers natural gas to more than 160,000 customers in Chicago's northern suburbs.

Upper Michigan Energy Resources delivers electricity and natural gas to more than 42,000 customers in Michigan's Upper Peninsula.

Bluewater Gas Storage, located in southeast Michigan, provides natural gas storage and hub services to We Energies and Wisconsin Public Service.

We Power designs, builds and owns modern, efficient power plants.

2017 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
Bluewater	Bluewater Natural Gas Holding, LLC
Bostco	Bostco LLC
ERGSS	Elm Road Generating Station Supercritical, LLC
Integrys	Integrys Holding, Inc. (previously known as Integrys Energy Group, Inc.)
ITF	Integrys Transportation Fuels, LLC
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
UMERC	Upper Michigan Energy Resources Corporation
WBS	WEC Business Services LLC
WE	Wisconsin Electric Power Company
We Power	W.E. Power, LLC
WECC	Wisconsin Energy Capital Corporation
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
IRS	United States Internal Revenue Service
MDEQ	Michigan Department of Environmental Quality
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

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

Environmental Terms

Act 141	2005 Wisconsin Act 141
CAA	Clean Air Act
CO_2	Carbon Dioxide
CPP	Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
GHG	Greenhouse Gas
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NOx	Nitrogen Oxide
SO_2	Sulfur Dioxide

Other Terms and Abbreviations

2006 Junior Notes	Integrys's 2006 Junior Subordinated Notes Due 2066
2007 Junior Notes	WEC Energy Group, Inc.'s 2007 Junior Subordinated Notes Due 2067
ALJ	Administrative Law Judge
ARRs	Auction Revenue Rights
CNG	Compressed Natural Gas
Compensation Committee	Compensation Committee of the Board of Directors
DATC	Duke-American Transmission Company
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
Exchange Act	Securities Exchange Act of 1934, as amended
FTRs	Financial Transmission Rights
GCRM	Gas Cost Recovery Mechanism
LMP	Locational Marginal Price
MCPP	Milwaukee County Power Plant
Merger Agreement	Agreement and Plan of Merger, dated as of June 22, 2014, between Integrys Energy Group, Inc. and Wisconsin Energy Corporation
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
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
ROE	Return on Equity
RTO	Regional Transmission Organization
SMP	Natural Gas System Modernization Program
SMRP	System Modernization and Reliability Project
SSR	System Support Resource
Supreme Court	United States Supreme Court
Tax Legislation	Tax Cuts and Jobs Act of 2017
Tilden	Tilden Mining Company
Treasury Grant	Section 1603 Renewable Energy Treasury Grant
VAPP	Valley Power Plant

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 rate, pension and OPEB plans, fuel costs, sources of electric energy supply, coal and natural gas deliveries, remediation costs, 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 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, as well as the recovery of the related costs through rates;
- The impact of federal, state, and local legislative and 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, and energy efficiency mandates;
- The uncertainty surrounding the recently enacted Tax Legislation, including implementing regulations and IRS interpretations, the amount to be returned to our ratepayers, and its impact, if any, on our or our subsidiaries' credit ratings;
- 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 permit conditions by regulatory agencies, and the recovery of associated remediation and compliance costs;
- 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;
- Increased pressure on us by investors and other stakeholder groups to take more aggressive action to reduce future 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;
- Costs and effects of litigation, administrative proceedings, investigations, settlements, claims, and inquiries;
- 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 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;
- The financial performance of ATC and its corresponding contribution to our earnings, as well as the ability of ATC and DATC to obtain the required approvals for their transmission projects;
- 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 that result in competitive disadvantages and create the potential for impairment of existing assets;
- The timing, costs, and anticipated benefits associated with the remaining integration efforts relating to the Integrys acquisition;
- 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 Section 404 of the Sarbanes-Oxley Act, 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 "us," "we," "our," or "ours," we are referring to WEC Energy Group, Inc. 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 our Corporate and Other Segment.

Our wholly owned subsidiaries are primarily engaged in the business of providing regulated electricity service in Wisconsin and Michigan and regulated natural gas service in Wisconsin, Illinois, Michigan and Minnesota. In addition, we have an approximate 60% equity interest in ATC, an electric transmission company operating primarily in four states. At December 31, 2017, we conducted our operations in the six reportable segments discussed below.

Wisconsin Segment: The Wisconsin segment includes the electric and natural gas utility and non-utility operations of WE, WG, WPS, and UMERC. UMERC became operational effective January 1, 2017, and holds the electric and natural gas distribution assets previously held by WE and WPS in the Upper Peninsula of Michigan.

At December 31, 2017, these companies served approximately 1,607,500 electric customers and 1,450,800 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 and non-utility operations of PGL and NSG. The approximately 1,006,000 natural gas customers served by PGL and NSG at December 31, 2017, were located in Chicago and the northern suburbs of Chicago. PGL also owns and operates a 38.3 Bcf natural gas storage field in central Illinois.

Other States Segment: The other states segment includes the natural gas utility and non-utility operations of MERC and MGU. These companies served approximately 411,700 natural gas customers at December 31, 2017, 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 primarily 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. As of December 31, 2017, we had an investment of $37.6 million in ATC Holdco.

Non-Utility Energy Infrastructure Segment: The non-utility energy infrastructure segment includes the operations of We Power and Bluewater, following its acquisition in June 2017. We Power, through wholly owned subsidiaries, owns and leases to WE, certain generating facilities. 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 that can provide approximately one-third of the current storage needs for the natural gas operations of WE, WG, and WPS.

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, Wisvest, WECC, WBS, PDL, and ITF.

Wispark develops and invests in real estate, and had $49.5 million in real estate holdings at December 31, 2017. WBS is a wholly owned centralized service company that provides administrative and general support services to our regulated utilities, as well as certain services to our nonregulated entities. PDL owns distributed renewable solar projects.

We completed the sale of ITF, which provided CNG products and services in multiple states, in February 2016. In April 2016, as part of the sale of WE’s Milwaukee County Power Plant, we sold the chilled water generation and distribution assets of Wisvest, which provided chilled water services to the Milwaukee Regional Medical Center. Bostco was originally formed to develop and invest in real estate and in March 2017, we sold the remaining real estate holdings of Bostco. WECC was originally formed to invest in non-utility projects such as low income housing developments, but no longer has significant operations.

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 and Bluewater, which owns underground natural gas storage facilities in Michigan.

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 will balance 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 with a goal of reducing CO_2 emissions by approximately 40% below 2005 levels by 2030. We expect to retire approximately 1,800 MW of coal generation by 2020, and add additional natural gas-fired generating units and renewable generation, including utility-scale solar projects. See Note 5, Property, Plant, and Equipment, for information related to the planned retirements of certain of our coal-fueled power plants.

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 being recognized by PA Consulting Group, an independent consulting firm, as the most reliable utility in the United States in 2017 and, for the seventh year in a row, as the most reliable utility in the Midwest.

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

- Upper Michigan Energy Resources Corporation (UMERC), our Michigan electric and natural gas utility, is moving forward with its long-term generation solution for electric reliability in the Upper Peninsula of Michigan. The plan calls for UMERC to construct and operate approximately 180 MW of natural gas-fueled generation located in the Upper Peninsula. The new generation is expected to achieve commercial operation in 2019 and provide the region with affordable, reliable electricity that generates less emissions than the Presque Isle Power Plant (PIPP). This should allow for the retirement of PIPP no later than 2020. We began site preparation work for this new generation in October 2017. For more information, see Note 23, Regulatory Environment.
- 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.
- Wisconsin Public Service Corporation (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. WPS, Wisconsin Electric Power Company and Wisconsin Gas LLC 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 made further investments at the Elm Road Generating Station in 2017 to enable the facility to burn coal from the Powder River Basin located in the western United States. The plant was originally designed to burn coal mined from the eastern United States. This project is creating flexibility and has enabled the plant to operate at lower costs, placing it in a better position to be called upon in the MISO Energy Markets, resulting in lower fuel costs for our customers.

We also made 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 and improving business processes and consolidating our IT infrastructure across all of our companies. We expect these efforts to continue to drive operational efficiency and to put us in position to effectively support plans for future growth.

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 natural gas storage facilities in Michigan and a portion of a wind energy generation facility in Wisconsin.
- See Note 3, Dispositions, for information on the sale of Integrys Transportation Fuels, LLC, the Milwaukee County Power Plant, certain assets of Wisvest LLC, and Bostco LLC's real estate holdings.

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 almost $12 billion from 2018 to 2022. Specific projects are discussed in more detail below under Liquidity and Capital Resources.

From 2018 to 2022, we expect capital contributions to ATC and ATC Holdco to be approximately $280 million. ATC Holdco is a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC's traditional footprint. Capital investments at ATC and ATC Holdco will be funded utilizing these capital contributions, in addition to cash generated from operations and debt. We currently forecast that our share of ATC's and ATC Holdco's projected capital expenditures over the next five years will be $1.3 billion inside the traditional ATC footprint and $300 million outside of the traditional ATC footprint.

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.

One example of how we obtain feedback from our customers is through our "We Care" calls, through which employees of our utility subsidiaries contact customers after a completed service call. Customer satisfaction is a priority, and making "We Care" calls is one of the main methods we use to gauge our performance to improve customer satisfaction.

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

CONSOLIDATED EARNINGS

The following table compares our consolidated results:

(in millions, except per share data)	Year Ended December 31 2017	2016	2015
Wisconsin	**$ 1,065.9**	$ 1,027.0	$ 884.2
Illinois	**273.0**	239.6	78.1
Other states	**54.2**	49.9	6.0
Non-utility energy infrastructure	**400.5**	375.6	373.4
Corporate and other	**(8.4)**	(10.0)	(91.2)
Total operating income	**1,785.2**	1,682.1	1,250.5
Equity in earnings of transmission affiliates	**154.3**	146.5	96.1
Other income, net	**64.6**	80.8	58.9
Interest expense	**415.7**	402.7	331.4
Income before income taxes	**1,588.4**	1,506.7	1,074.1
Income tax expense	**383.5**	566.5	433.8
Preferred stock dividends of subsidiary	**1.2**	1.2	1.8
Net income attributed to common shareholders	**$ 1,203.7**	$ 939.0	$ 638.5
Diluted earnings per share	**$ 3.79**	$ 2.96	$ 2.34

2017 Compared with 2016

Earnings increased $264.7 million during 2017, compared with 2016. The significant factors impacting the increase in earnings were:

- A $206.7 million one-time net reduction in income tax expense related to the revaluation of our deferred taxes primarily on our non-utility energy infrastructure and corporate and other segments at December 31, 2017, as a result of the enactment of the Tax Legislation.
- A $38.9 million pre-tax ($23.3 million after tax) increase in operating income at the Wisconsin segment, driven by lower operating expenses. A decrease in electric margins, driven by lower sales volumes, partially offset the decrease in operating expenses.
- A $33.4 million pre-tax ($20.0 million after tax) 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 and lower operating expenses.
- A $24.9 million pre-tax ($14.9 million after tax) increase in operating income at the non-utility energy infrastructure segment. The increase was driven by higher revenues in connection with capital additions to the plants We Power owns and leases to WE and the inclusion of the operations of Bluewater following its acquisition on June 30, 2017.

These increases in earnings were partially offset by a $16.2 million pre-tax ($9.7 million after-tax) decrease in other income, net. The decrease was primarily driven by the year-over-year impact of the gains recognized in 2016 related to the repurchase of a portion of Integrys's 2006 Junior Notes and the sale of certain assets of Wisvest. See Note 3, Dispositions, for information on the Wisvest sale.

2016 Compared with 2015

Earnings increased $300.5 million in 2016, driven by a $201.7 million increase in earnings due to the inclusion of a full year of Integrys's results for 2016, compared to six months of Integrys's results for 2015. Integrys was acquired on June 29, 2015. See Note 2, Acquisitions, for more information.

The most significant factor driving the remaining $98.8 million increase in earnings was a $104.1 million pre-tax ($80.1 million after tax) decrease in acquisition costs in 2016.

Non-GAAP Financial Measure

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 more meaningful basis for evaluating utility operations than operating revenues 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 three 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

For the periods presented in this report, our Wisconsin operations included operations of WE and WG for all periods, operations for WPS beginning July 1, 2015, due to the acquisition of Integrys and its subsidiaries, and operations for UMERC beginning January 1, 2017, due to the transfer of customers and assets in the Upper Peninsula of Michigan from WE and WPS.

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Electric revenues	**$ 4,559.0**	$ 4,628.1	$ 4,068.5
Fuel and purchased power	**1,467.0**	1,473.1	1,369.3
Total electric margins	**3,092.0**	3,155.0	2,699.2
Natural gas revenues	**1,270.2**	1,177.6	1,122.6
Cost of natural gas sold	**701.8**	621.2	640.5
Total natural gas margins	**568.4**	556.4	482.1
Total electric and natural gas margins	**3,660.4**	3,711.4	3,181.3
Other operation and maintenance	**1,912.5**	2,025.4	1,741.0
Depreciation and amortization	**523.9**	496.6	408.6
Property and revenue taxes	**158.1**	162.4	147.5
Operating income	**$ 1,065.9**	$ 1,027.0	$ 884.2

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

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Operation and maintenance not included in line items below	**$ 822.6**	$ 881.9	$ 744.2
We Power (1)	**513.0**	513.2	510.7
Transmission (2)	**407.4**	423.2	341.3
Regulatory amortizations and other pass through expenses (3)	**158.1**	157.4	144.8
Earnings sharing mechanisms	**2.9**	24.4	—
Other	**8.5**	25.3	—
Total other operation and maintenance	**$ 1,912.5**	$ 2,025.4	$ 1,741.0

(1) Represents costs associated with the We Power generation units, including operating and maintenance costs incurred by WE, as well as the lease payments that are billed from We Power to WE and then recovered in WE's rates. During 2017, 2016, and 2015, $535.1 million, $528.4 million, and $483.4 million, respectively, of both lease and operating and maintenance costs were billed to or incurred by WE, with the difference in costs billed or incurred and expenses recognized, either deferred or deducted from the regulatory asset.

(2) The PSCW has approved 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 2017, 2016, and 2015, $451.4 million, $486.0 million, and $388.6 million, respectively, of costs were billed by transmission providers to our electric utilities.

(3) 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:

	Year Ended December 31		
	MWh *(in thousands)*		
Electric Sales Volumes	**2017**	**2016**	**2015**
Customer class			
Residential	**10,636.3**	10,998.9	9,218.9
Small commercial and industrial *	**12,932.1**	13,113.1	10,889.2
Large commercial and industrial *	**12,822.0**	13,418.6	11,545.8
Other	**175.6**	172.2	162.6
Total retail *	**36,566.0**	37,702.8	31,816.5
Wholesale	**3,768.0**	3,704.6	2,588.1
Resale	**9,000.3**	8,761.6	9,077.1
Total sales in MWh *	**49,334.3**	50,169.0	43,481.7

* 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	**2017**	**2016**	**2015**
Customer class			
Residential	**1,039.4**	1,014.9	859.4
Commercial and industrial	**643.6**	610.5	527.4
Total retail	**1,683.0**	1,625.4	1,386.8
Transport	**1,316.4**	1,270.6	994.2
Total sales in therms	**2,999.4**	2,896.0	2,381.0

	Year Ended December 31		
	Degree Days		
Weather	**2017**	**2016**	**2015**
WE and WG (1)			
Heating (6,574 normal)	**5,908**	6,068	6,468
Cooling (714 normal)	**772**	991	622
WPS (2)			
Heating (7,377 normal)	**6,942**	6,715	2,215
Cooling (499 normal)	**450**	572	396
UMERC (3)			
Heating (8,368 normal)	**8,145**	N/A	N/A
Cooling (324 normal)	**235**	N/A	N/A

(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. Degree days for 2015 have been included for the period from July 1, 2015, through December 31, 2015.

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

2017 Compared with 2016

Electric Utility Margins

Electric utility margins at the Wisconsin segment decreased $63.0 million during 2017, compared with 2016. The significant factors impacting the lower electric utility margins were:

- A $72.6 million decrease related to lower sales volumes during 2017, primarily driven by unfavorable weather as well as lower overall retail use per customer. Cooler summer and warmer winter weather in 2017, as well as an additional day of sales during 2016 due to leap year, contributed to the decrease. As measured by cooling degree days, 2017 was 22.1% and 21.3% cooler than 2016 in the Milwaukee and Green Bay areas, respectively. As measured by heating degree days, 2017 was 2.6% warmer than the same period in 2016 in the Milwaukee area.
- A $25.9 million decrease related to SSR payments WE refunded to MISO as directed by a FERC order received in October 2017. The FERC order reduced the costs eligible for reimbursement to WE for the operation and maintenance of its PIPP units under an SSR agreement between MISO and WE. A portion of these payments was returned to WE through the MISO allocation process and reduced transmission expense as discussed below. See Note 23, Regulatory Environment, for more information.
- A $3.5 million decrease in steam margins driven by the sale of the MCPP in April 2016. See Note 3, Dispositions, for more information.
- A $3.3 million period-over-period negative impact from collections of fuel and purchased power costs compared with costs approved in rates. Under the Wisconsin fuel rules, the margins of our electric utilities are impacted by under- or over-collections of certain fuel and purchased power costs that are less than a 2% price variance from the costs included in rates, and the remaining variance that exceeds the 2% variance is deferred.

These decreases in margins were partially offset by $36.5 million of lower capacity payments to a counterparty during 2017, related to improved contract terms.

Natural Gas Utility Margins

Natural gas utility margins at the Wisconsin segment increased $12.0 million during 2017, compared with 2016. The most significant factor impacting the higher natural gas utility margins was higher retail sales volumes, primarily driven by higher overall retail use per customer and customer growth. The higher margins were partially offset by an additional day of sales during 2016 due to leap year.

Operating Income

Operating income at the Wisconsin segment increased $38.9 million during 2017, compared with 2016. This increase was driven by $89.9 million of lower operating expenses (which include other operation and maintenance, depreciation and amortization, and property and revenue taxes), partially offset by the $51.0 million net decrease in margins discussed above.

The Wisconsin segment experienced lower overall operating expenses related to synergy savings resulting from the Integrys acquisition. The significant factors impacting the decrease in operating expenses during 2017, compared with 2016, which were due in part to synergy savings, were:

- A $29.1 million decrease in electric and natural gas distribution expenses, primarily related to lower metering costs and other cost savings.
- A $21.5 million decrease in expenses related to the earnings sharing mechanisms in place at WE and WG. See the PSCW conditions of approval related to the Integrys acquisition in Note 2, Acquisitions, for more information.
- A $16.8 million decrease in expenses related to charitable projects supporting our customers and the communities within our service territories.
- A $15.8 million decrease in transmission expenses, driven by a FERC order to reduce SSR costs related to PIPP, as discussed under electric utility margins.
- An $11.5 million decrease in expenses related to an information technology project completed in 2016 to improve the billing, call center, and credit collection functions of certain WEC Energy Group subsidiaries. Lower expenses were due in part to a decrease in asset usage charges from WBS, driven by the transfer of this project from WBS to certain WEC Energy Group subsidiaries, including WPS, during 2017. The portion of these lower expenses related to the transfer is offset through higher depreciation and amortization, discussed below.

- A $10.5 million decrease in operation and maintenance expenses at our plants, primarily related to the seasonal operation of the Pleasant Prairie power plant during 2017, lower operating costs at the plants, the timing of planned outages and maintenance, and the sale of the MCPP in April 2016. See Note 3, Dispositions, for more information on the sale of the MCPP. These decreases were partially offset by severance costs related to plant retirement. See Note 5, Property, Plant, and Equipment, for more information on the plants to be retired.
- A $5.7 million decrease in customer service expenses, partially related to lower contracted meter reading rates and cost savings.

These decreases in operating expenses were partially offset by:

- A $27.3 million increase in depreciation and amortization, driven by an overall increase in utility plant in service, the completion of the ReACTTM multi-pollutant control system at Weston Unit 3 during the fourth quarter of 2016, and WBS's transfer of the information technology project to WPS during 2017.
- A $10.9 million gain recorded in April 2016 related to the sale of the MCPP. See Note 3, Dispositions, for more information on the sale of the MCPP.

2016 Compared with 2015

Electric Utility Margins

Electric utility margins at the Wisconsin segment increased $455.8 million during 2016, compared with 2015. The increase was primarily driven by a $386.4 million margin contribution from WPS during the first six months of 2016, compared with no margin contribution from WPS for the first six months of 2015.

The significant factors impacting the remaining $69.4 million increase in electric utility margins at the Wisconsin segment were:

- A $50.4 million increase related to higher retail sales volumes during 2016, primarily driven by warmer summer weather. As measured by cooling degree days, 2016 was 59.3% warmer than 2015 in the Milwaukee area.
- The expiration of $12.5 million of bill credits refunded to customers in 2015 related to the Treasury Grant WE received in connection with its biomass facility.
- An $11.3 million increase in the last six months of 2016 as a result of WPS's PSCW rate order, effective January 1, 2016. See Note 23, Regulatory Environment, for more information.

These increases were partially offset by a $12.9 million decrease in wholesale margins driven by a reduction in capacity sales year-over-year at WE in addition to a reduction in sales volumes at WPS for the second half of 2016, compared with the same period in 2015. Certain wholesale customers have provisions in their contracts, which allowed them to reduce the amount of energy we provided to them.

Natural Gas Utility Margins

Natural gas utility margins at the Wisconsin segment increased $74.3 million during 2016, compared with 2015. The increase in natural gas utility margins was driven by a $63.6 million margin contribution from WPS during the first six months of 2016, compared with no margin contribution from WPS for the first six months of 2015.

The most significant factor impacting the remaining $10.7 million increase in natural gas utility margins at the Wisconsin segment was an $18.1 million net increase from both WG's rate order effective January 1, 2016, and a partially offsetting negative impact from WPS's rate order during the last six months of 2016. See Note 23, Regulatory Environment, for more information. This net increase was partially offset by a $3.2 million decrease related to lower sales volumes during 2016, primarily driven by warmer winter weather. As measured by heating degree days, 2016 was 6.2% warmer than 2015 in the Milwaukee area.

Operating Income

Operating income at the Wisconsin segment increased $142.8 million during 2016, compared with 2015. The increase was driven by the $530.1 million increase in margins discussed above, partially offset by $387.3 million of higher operating expenses. Higher operating expenses were driven by $321.6 million of operating expenses from WPS during the first six months of 2016, compared with no operating expenses from WPS for the first six months of 2015.

The significant factors impacting the remaining $65.7 million increase in operating expenses during 2016, compared with 2015, at the Wisconsin segment were:

- A $27.0 million increase in depreciation and amortization, driven by an overall increase in utility plant in service. In November 2015, WG completed the Western Gas lateral project, and WE completed the conversion of the fuel source for VAPP from coal to natural gas.
- A $25.3 million increase in expenses related to charitable projects supporting our customers and the communities within our service territories.
- A $24.4 million expense related to the earnings sharing mechanisms in place at WE and WG, effective January 1, 2016.

These increases in operating expenses were partially offset by a $16.4 million positive impact at WE from the sale of the MCPP in April 2016, including a gain on sale and lower operating costs in 2016.

ILLINOIS SEGMENT CONTRIBUTION TO OPERATING INCOME

We did not have any operations in Illinois until our acquisition of Integrys on June 29, 2015. 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)	**2017**	**2016**	**2015**
Natural gas revenues	**$ 1,355.5**	$ 1,242.2	$ 503.4
Cost of natural gas sold	**438.9**	365.2	133.2
Total natural gas margins	**916.6**	877.0	370.2
Other operation and maintenance	**471.1**	485.1	219.6
Depreciation and amortization	**152.6**	134.0	63.3
Property and revenue taxes	**19.9**	18.3	9.2
Operating income	**$ 273.0**	$ 239.6	$ 78.1

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

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Operation and maintenance not included in the line items below	**$ 368.4**	$ 385.3	$ 196.0
Riders *	**98.1**	82.3	20.2
Regulatory amortizations *	**1.0**	2.7	1.3
Other	**3.6**	14.8	2.1
Total other operation and maintenance	**$ 471.1**	$ 485.1	$ 219.6

* 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	**2017**	**2016**	**2015**
Customer Class			
Residential	**886.2**	905.6	300.7
Commercial and industrial	**183.6**	187.6	63.2
Total retail	**1,069.8**	1,093.2	363.9
Transport	**858.8**	855.3	328.4
Total sales in therms	**1,928.6**	1,948.5	692.3

	Degree Days		
Weather *	**2017**	**2016**	**2015**
Heating (6,110 normal)	**5,470**	5,713	1,813

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

2017 Compared with 2016

Natural Gas Utility Margins

Natural gas utility margins, net of the $15.8 million impact of the riders referenced in the table above, increased $23.8 million during 2017, compared with 2016. 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.

Operating Income

Operating income at the Illinois segment increased $33.4 million during 2017, compared with 2016. This increase was due to the $23.8 million net increase in margins discussed above and a $9.6 million decrease in operating expenses (which include other operation and maintenance, depreciation and amortization, and property and revenues taxes), net of the impact of the riders referenced in the table above. The significant factors impacting the decrease in operating expenses were:

- A $21.1 million decrease in benefit related expenses driven by lower pension costs.
- A $9.8 million decrease in expenses related to charitable projects supporting our customers and the communities within our service territories.
- A $6.0 million decrease in expenses related to an information technology project created to improve the billing, call center, and credit collection functions of certain WEC Energy Group subsidiaries. Lower expenses were primarily due to a decrease in asset usage charges from WBS, driven by the transfer of this project from WBS to certain WEC Energy Group subsidiaries, including PGL and NSG, during 2017. Lower expenses related to the transfer are offset through higher depreciation and amortization, discussed below.

These decreases were partially offset by:

- An $18.6 million increase in depreciation and amortization expense, driven by continued capital investment at PGL in the SMP project and the transfer of the information technology project to PGL and NSG in 2017.
- A $3.4 million increase in natural gas distribution expenses, driven by increased repair activity in 2017.

2016 Compared with 2015

Natural Gas Utility Margins

Natural gas utility margins at the Illinois segment increased $506.8 million during 2016, compared with 2015. The increase was primarily driven by a $467.8 million margin contribution from the Illinois segment during the first six months of 2016, compared to no margin contribution from this segment for the first six months of 2015.

The significant factors impacting the remaining $39.0 million increase in natural gas utility margins at the Illinois segment were:

- A $26.3 million increase in margins related to the riders referenced in the table above during the last six months of 2016, compared with the last six months of 2015.
- A $10.8 million increase in revenue at PGL due to continued capital investment in projects under its QIP rider.

Operating Income

Operating income at the Illinois segment increased $161.5 million during 2016, compared with 2015. The increase was primarily driven by the $506.8 million increase in margin discussed above, partially offset by:

- Operating expenses of $308.2 million during the first six months of 2016, compared with no operating expenses during the first six months of 2015.
- A $26.3 million increase in other operation and maintenance expenses related to the riders referenced in the table above during the last six months of 2016, compared with the last six months of 2015.
- A $9.7 million increase in other operation and maintenance expenses during the last six months of 2016 compared with the last six months of 2015, due to an increase in expenses related to charitable projects supporting our customers and the communities within our service territories.

OTHER STATES SEGMENT CONTRIBUTION TO OPERATING INCOME

We did not have any operations in this segment until our acquisition of Integrys on June 29, 2015. 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)	**2017**	**2016**	**2015**
Natural gas revenues	**$ 411.2**	$ 376.5	$ 149.3
Cost of natural gas sold	**215.3**	182.3	76.9
Total natural gas margins	**195.9**	194.2	72.4
Other operation and maintenance	**101.3**	110.1	50.0
Depreciation and amortization	**24.8**	21.1	10.0
Property and revenue taxes	**15.6**	13.1	6.4
Operating income	**$ 54.2**	$ 49.9	$ 6.0

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

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Operation and maintenance not included in line items below	**$ 78.3**	$ 86.4	$ 43.2
Regulatory amortizations and other pass through expenses *	**23.0**	23.6	6.7
Other	**—**	0.1	0.1
Total other operation and maintenance	**$ 101.3**	$ 110.1	$ 50.0

* 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	**2017**	**2016**	**2015**
Customer Class			
Residential	**285.6**	278.5	84.7
Commercial and industrial	**199.4**	178.2	60.9
Total retail	**485.0**	456.7	145.6
Transport	**693.3**	696.2	279.6
Total sales in therms	**1,178.3**	1,152.9	425.2

	Degree Days		
Weather *	**2017**	**2016**	**2015**
MERC			
Heating (7,907 normal)	**7,625**	7,188	2,563
MGU			
Heating (6,244 normal)	**5,707**	5,712	1,822

* 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.

2017 Compared with 2016

Operating Income

Operating income at the other states segment increased $4.3 million during 2017, compared with 2016. The increase was primarily driven by lower operation and maintenance expense due to effective cost control measures, partially offset by higher depreciation and amortization due to an increase in capital investment.

2016 Compared with 2015

Natural Gas Utility Margins

Natural gas utility margins at the other states segment increased $121.8 million during 2016, compared with 2015. The increase was primarily driven by a $110.4 million margin contribution from the other states segment during the first six months of 2016, compared to no margin contribution from this segment for the first six months of 2015.

The significant factors impacting the remaining $11.4 million increase in natural gas utility margins at the other states segment were:

- A $3.9 million increase in the last six months of 2016 as a result of various rate orders. An interim rate order for MERC was effective January 1, 2016, and accounted for $2.5 million of the rate increase. The MGU rate order was also effective January 1, 2016, and accounted for $1.4 million of the rate increase. See Note 23, Regulatory Environment, for more information.
- A $3.0 million increase related to higher sales volumes during the last six months of 2016, driven by colder weather. As measured by heating degree days, the last six months of 2016 were 11.5% colder than the last six months of 2015 at MGU and 5.7% colder than the last six months of 2015 at MERC.
- A $1.6 million increase related to the MERC conservation improvement program financial incentive as a result of exceeding certain energy savings goals.

Operating Income

Operating income at the other states segment increased $43.9 million during 2016, compared with 2015. The increase was driven by the $121.8 million increase in margins discussed above, partially offset by $77.9 million of higher operating expenses. Higher operating expenses were driven primarily by $76.3 million of operating expenses from the other states segment during the first six months of 2016, compared with no operating expenses during the first six months of 2015.

NON-UTILITY ENERGY INFRASTRUCTURE SEGMENT CONTRIBUTION TO OPERATING INCOME

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Operating income	**$ 400.5**	$ 375.6	$ 373.4

2017 Compared with 2016

Operating income at the non-utility energy infrastructure segment increased $24.9 million during 2017, compared with 2016. Bluewater, which was acquired on June 30, 2017, contributed $8.4 million to 2017 operating income. The remaining increase of $16.5 million was driven by higher revenues in connection with capital additions to the plants We Power owns and leases to WE. See Note 2, Acquisitions, for more information on the acquisition of Bluewater and Note 19, Segment Information, for information on the change in segment name.

2016 Compared with 2015

Operating income at the non-utility energy infrastructure segment increased $2.2 million during 2016, compared with 2015. This increase was primarily related to higher revenues in connection with capital additions to the plants We Power owns and leases to WE.

CORPORATE AND OTHER SEGMENT CONTRIBUTION TO OPERATING INCOME

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Operating loss	**$ (8.4)**	$ (10.0)	$ (91.2)

2017 Compared with 2016

The operating loss at the corporate and other segment decreased $1.6 million during 2017, compared with 2016, driven by $3.5 million of costs incurred in 2016 related to the acquisition of Integrys. See Note 2, Acquisitions, for more information regarding costs associated with the acquisition.

2016 Compared with 2015

The operating loss at the corporate and other segment decreased $81.2 million during 2016, compared with 2015, driven by a reduction in costs related to the acquisition of Integrys.

ELECTRIC TRANSMISSION SEGMENT OPERATIONS

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Equity in earnings of transmission affiliates	**$ 154.3**	$ 146.5	$ 96.1

2017 Compared with 2016

Earnings from our ownership interests in transmission affiliates increased $7.8 million during 2017, compared with 2016. The lower earnings during 2016 as compared to 2017 were primarily the result of an ALJ recommendation related to the FERC ROE complaints. See Factors Affecting Results, Liquidity, and Capital Resources – Other Matters – American Transmission Company Allowed Return on Equity Complaints for more information.

2016 Compared with 2015

Earnings from our ownership interests in transmission affiliates increased $50.4 million during 2016, compared with 2015, primarily due to the increase in our ownership interest from 26.2% to approximately 60% as a result of the acquisition of Integrys on June 29, 2015. In addition, the lower earnings during 2015 were also driven by an ALJ initial decision issued in December 2015 related to the ATC ROE complaints, which was later affirmed by a FERC order in 2016.

CONSOLIDATED OTHER INCOME, NET

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
AFUDC – Equity	**$ 11.4**	$ 25.1	$ 20.1
Gain on repurchase of notes	**—**	23.6	—
Gain on asset sales	**1.9**	19.6	22.9
Other, net	**51.3**	12.5	15.9
Other income, net	**$ 64.6**	$ 80.8	$ 58.9

2017 Compared with 2016

Other income, net decreased $16.2 million during 2017, compared with 2016. This decrease was primarily driven by the $23.6 million gain recorded in February 2016 on the repurchase of a portion of Integrys's 2006 Junior Notes at a discount, the $19.6 million gain recorded in April 2016 from the sale of the chilled water generation and distribution assets of Wisvest, and lower AFUDC in 2017 largely due to the ReACT™ emission control technology project at Weston Unit 3 going into service during the fourth quarter of 2016. Partially offsetting these decreases were higher gains on investments held in our rabbi trust during 2017, compared with 2016. See Note 12, Long-Term Debt and Capital Lease Obligations, for more information on the note repurchase and Note 3, Dispositions, for information on our asset sales.

2016 Compared with 2015

Other income, net increased $21.9 million during 2016, compared with 2015. This increase was primarily driven by the repurchase of a portion of Integrys's 2006 Junior Notes at a discount in February 2016, as well as higher AFUDC in 2016 due to the inclusion of AFUDC from the Integrys companies post acquisition. Partially offsetting these increases was a $19.6 million gain recorded in April 2016 from the sale of the chilled water generation and distribution assets of Wisvest, compared with a $20.8 million gain from the sale of Minergy LLC and its remaining financial assets in June 2015, as well as excise tax credits recognized by ITF in 2015. ITF was sold in the first quarter of 2016.

CONSOLIDATED INTEREST EXPENSE

	Year Ended December 31		
(in millions)	**2017**	**2016**	**2015**
Interest expense	**$ 415.7**	$ 402.7	$ 331.4

2017 Compared with 2016

Interest expense increased $13.0 million during 2017, compared with 2016. The increase was primarily due to higher debt levels in 2017 to fund continued capital investments and lower capitalized interest during 2017, primarily as a result of the completion of the ReACT™ emission control project in 2016.

2016 Compared with 2015

Interest expense increased $71.3 million during 2016, compared with 2015. The increase was primarily driven by $68.5 million of interest expense from Integrys and its subsidiaries during the first six months of 2016, compared to no interest expense from these companies during the same period in 2015. Additionally, we issued $1.2 billion of long-term debt in June 2015 to finance a portion of the cash consideration for the acquisition of Integrys. This was offset, in part, by the repurchase of a portion of the 2006 Junior Notes in February 2016. These notes were replaced with lower-interest rate short-term debt.

CONSOLIDATED INCOME TAX EXPENSE

	Year Ended December 31		
	2017	**2016**	**2015**
Effective tax rate	**24.1%**	37.6%	40.4%

2017 Compared with 2016

Our effective tax rate was 24.1% in 2017 compared to 37.6% in 2016. This decrease was driven by a $206.7 million one-time net reduction in income tax expense related to the revaluation of our deferred taxes primarily on our non-utility energy infrastructure and corporate and other segments at December 31, 2017, as a result of the enactment of the Tax Legislation. Our effective tax rate in 2017 excluding the one-time net reduction in income tax expense due to revaluation of our deferred taxes was 37.2%. Preliminarily, we expect our 2018 annual effective tax rate to be between 15% and 16%, which includes an estimated 7% effective tax rate benefit due to the flow through of tax repairs in connection with the Wisconsin settlement. See Note 23, Regulatory Environment, for more information on the Wisconsin settlement. Excluding the impact of the tax repairs, the 2018 range would be between 22% and 23%. See Note 13, Income Taxes, for more information.

2016 Compared with 2015

Our effective tax rate was 37.6% in 2016 compared to 40.4% in 2015. This decrease was primarily related to a charge in 2015 to remeasure our state deferred income taxes as a result of the acquisition of Integrys.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

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

(in millions)	2017	2016	2015	Change in 2017 Over 2016	Change in 2016 Over 2015
Cash provided by (used in):					
Operating activities	**$ 2,079.6**	$ 2,103.5	$ 1,293.6	$ (23.9)	$ 809.9
Investing activities	**(2,239.6)**	(1,270.1)	(2,517.5)	(969.5)	1,247.4
Financing activities	**161.4**	(845.7)	1,211.8	1,007.1	(2,057.5)

Operating Activities

2017 Compared with 2016

Net cash provided by operating activities decreased $23.9 million during 2017, compared with 2016, driven by:

- A $217.9 million decrease in cash resulting from higher payments for natural gas and fuel and purchased power in 2017, primarily due to higher commodity prices. The average per-unit cost of natural gas sold increased 13.6% during 2017, compared with 2016.
- A $91.8 million increase in contributions and payments to our pension and OPEB plans during 2017, compared with 2016.

- A $34.5 million net decrease in cash received from income taxes during 2017, compared with 2016. This decrease in cash was primarily due to the extension of bonus depreciation in December 2015, which resulted in the receipt of an income tax refund during 2016.
- A $26.5 million decrease in cash due to higher collateral requirements during 2017, compared with 2016, driven by a decrease in the fair value of our derivative instruments. See Note 15, Derivative Instruments, for more information.

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

- A $158.7 million increase in cash from lower payments for operating and maintenance costs. During 2017, our payments related to transmission, electric and natural gas distribution, charitable projects, employee benefits, and electric generation decreased.
- A $129.2 million increase in cash related to higher overall collections from customers, primarily due to higher commodity prices during 2017, compared with 2016.
- A $49.6 million increase in cash distributions provided by ATC during 2017, compared with 2016.

2016 Compared with 2015

Net cash provided by operating activities increased $809.9 million during 2016, compared with 2015. This increase was driven by $466.6 million of net cash flows from the operating activities of Integrys during the first six months of 2016 since Integrys was acquired on June 29, 2015. See Note 2, Acquisitions, for more information.

The remaining $343.3 million increase in net cash provided by operating activities was driven by:

- A $377.9 million increase in cash resulting from lower payments for natural gas and fuel and purchased power in 2016, due to lower commodity prices and warmer weather during the 2016 heating season. The average per-unit cost of natural gas sold decreased 18.5% during 2016.
- A $94.2 million decrease in contributions and payments to our pension and OPEB plans during 2016, compared with 2015.
- A $44.1 million increase in cash due to lower collateral requirements during 2016, compared with 2015, driven by an increase in the fair value of our derivative instruments.
- A $29.2 million increase in cash received from income taxes, primarily due to a Wisconsin state income tax refund received in the fourth quarter of 2016.

These increases in net cash provided by operating activities were partially offset by a $210.8 million decrease in cash related to lower overall collections from customers. Collections from customers decreased primarily because of lower commodity prices and warmer weather during the 2016 heating season.

Investing Activities

2017 Compared with 2016

Net cash used in investing activities increased $969.5 million during 2017, compared with 2016, driven by:

- A $535.8 million increase in cash paid for capital expenditures during 2017, compared with 2016, which is discussed in more detail below.
- The acquisition of Bluewater during June 2017 for $226.0 million. See Note 2, Acquisitions, for more information.
- A $142.3 million decrease in the proceeds received from the sale of assets and businesses during 2017, compared with 2016. See Note 3, Dispositions, for more information.
- A $67.3 million increase in our capital contributions to ATC and ATC Holdco during 2017, compared with 2016, due to the continued investment in equipment and facilities by ATC to improve reliability and the restructuring of DATC's ownership. During the fourth quarter of 2017, ATC Holdco purchased ATC's ownership interest in DATC, which resulted in an increase in our capital contributions. In addition, the refunds paid by ATC in 2017 and ATC's lower earnings in 2016, as a result of the ATC ROE complaints filed with the FERC, also contributed to the year-over-year increase in our capital contributions. See Factors Affecting Results, Liquidity, and Capital Resources – Other Matters – American Transmission Company Allowed Return on Equity Complaints for more information on the ATC ROE complaints.

2016 Compared with 2015

Net cash used in investing activities decreased $1,247.4 million during 2016, compared with 2015, driven by:

- An investment of $1,329.9 million in June 2015 related to the acquisition of Integrys, which is net of cash acquired of $156.3 million. See Note 2, Acquisitions, for more information.

- A $137.4 million increase in the proceeds received from the sale of assets and businesses during 2016, compared with 2015.

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

- A $157.5 million increase in cash paid for capital expenditures during 2016, compared with 2015, which is discussed in more detail below.
- A $33.6 million increase in our capital contributions to ATC during 2016, compared with 2015, driven by both the continued investment in equipment and facilities by ATC to improve reliability and the increase in our ATC ownership interest as a result of the June 2015 Integrys acquisition.

Capital Expenditures

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

Reportable Segment ***(in millions)***	**2017**	**2016**	**2015**	**Change in 2017 Over 2016**	**Change in 2016 Over 2015**
Wisconsin	**$ 1,152.3**	$ 910.9	$ 950.3	$ 241.4	$ (39.4)
Illinois	**545.2**	293.2	194.4	252.0	98.8
Other states	**74.5**	59.5	34.7	15.0	24.8
Non-utility energy infrastructure	**35.4**	62.3	53.4	(26.9)	8.9
Corporate and other	**152.1**	97.8	33.4	54.3	64.4
Total capital expenditures	**$ 1,959.5**	$ 1,423.7	$ 1,266.2	$ 535.8	$ 157.5

2017 Compared with 2016

The increase in cash paid for capital expenditures at the Wisconsin segment during 2017, compared with 2016, was driven by upgrades to our electric and natural gas distribution systems, including main replacement projects and an advanced metering infrastructure program, as well as WPS's SMRP and various projects at the OCPP. These increases in capital expenditures were partially offset by reduced construction activity at WPS related to the ReACT™ emission control technology project at Weston Unit 3, which was completed in 2016, and the combustion turbine project at the Fox Energy Center, which was completed in June 2017.

The increase in cash paid for capital expenditures at the Illinois segment during 2017, compared with 2016, was driven by increased construction activity related to PGL's SMP and natural gas storage field as well as a project to relocate one of PGL's service facilities.

The increase in cash paid for capital expenditures at the other states segment during 2017, compared with 2016, was driven by upgrades to MERC’s natural gas distribution systems and mains as well as the construction of an office building due to the relocation of MERC's headquarters during 2017.

The decrease in cash paid for capital expenditures at the non-utility energy infrastructure segment during 2017, compared with 2016, was driven by reduced construction activity for We Power's fuel flexibility project at the Oak Creek Expansion units, which was completed during December 2017.

The increase in cash paid for capital expenditures at the corporate and other segment during 2017, compared with 2016, was driven by a project to implement a new enterprise resource planning system and various other software projects.

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

2016 Compared with 2015

The decrease in cash paid for capital expenditures at the Wisconsin segment during 2016, compared with 2015, was driven by the November 2015 completion of both WG's Western Gas Lateral project, which improved the reliability of WG's natural gas distribution network in the western part of Wisconsin, and WE's coal to natural gas conversion project at VAPP. Also contributing to the decrease were lower payments at WE for environmental compliance projects and electric distribution upgrades. The inclusion of WPS for all of 2016, as compared with only the last six months of 2015, substantially offset these lower capital expenditures. WPS's capital expenditures of $154.1 million during the first six months of 2016 related to the ReACT™ emission control technology project at Weston Unit 3, the combustion turbine project at the Fox Energy Center, and the SMRP.

The increase in cash paid for capital expenditures at the Illinois segment during 2016, compared with 2015, was due to the inclusion of PGL and NSG for all of 2016, compared with only the last six months of 2015. Capital expenditures at the Illinois segment were driven primarily by the SMP at PGL.

The increase in cash paid for capital expenditures at the other states segment during 2016, compared with 2015, was due to the inclusion of MERC and MGU for all of 2016, compared with only the last six months of 2015. MERC's and MGU's capital expenditures of $22.7 million during the first six months of 2016 primarily related to natural gas distribution systems and mains.

The increase in cash paid for capital expenditures at the corporate and other segment during 2016, compared with 2015, was driven by a project to implement a new enterprise resource planning system and an information technology project created to improve the billing, call center, and credit collection functions of the Integrys subsidiaries.

Financing Activities

2017 Compared with 2016

Net cash related to financing activities increased $1,007.1 million during 2017, compared with 2016, driven by:

- An $819.2 million net increase in cash due to $584.4 million of net borrowings of commercial paper during 2017, compared with $234.8 million of net repayments of commercial paper during 2016.
- A $151.5 million increase in cash related to lower long-term debt repayments during 2017, compared with 2016. In February 2016, we repurchased a portion of Integrys's 2006 Junior Notes at a discount.
- A $36.7 million increase in cash due to fewer shares of our common stock purchased during 2017, compared with 2016, to satisfy requirements of our stock-based compensation plans.
- A $35.0 million increase in cash due to the issuance of more long-term debt during 2017, compared with 2016.

These increases in net cash related to financing activities were partially offset by a $31.6 million increase in dividends paid on our common stock during 2017, compared with 2016. In January 2017, our Board of Directors increased our quarterly dividend by $0.025 per share effective with the first quarter of 2017 dividend payment.

2016 Compared with 2015

Net cash related to financing activities decreased $2,057.5 million during 2016, compared with 2015, driven by:

- A $1,526.4 million net decrease in cash due to a $1,750.0 million decrease in the issuance of long-term debt during 2016, partially offset by $223.6 million of lower repayments of long-term debt during 2016. We issued $1,200.0 million of long-term debt during 2015 in connection with the acquisition of Integrys.
- A $397.8 million net decrease in cash due to $234.8 million of net repayments of commercial paper during 2016, compared with $163.0 million of net borrowings of commercial paper during 2015.
- A $169.5 million increase in dividends paid on common stock during 2016, compared with 2015, due to the issuance of 90.2 million shares of our common stock in June 2015 as a result of the Integrys acquisition and increases to our quarterly dividend rate. See Note 2, Acquisitions, for more information.
- A $33.3 million decrease in cash due to more shares of our common stock purchased during 2016, compared with 2015, to satisfy requirements of our stock-based compensation plans.

These decreases in net cash related to financing activities were partially offset by a $52.7 million increase in cash due to the redemption of all of WPS's preferred stock during 2015.

Significant Financing Activities

For more information on our financing activities, see Note 11, Short-Term Debt and Lines of Credit, and Note 12, Long-Term Debt and Capital Lease Obligations.

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 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, WG, WPS, 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 11, 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, 2017 and 2016, 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:

	2017		**2016**	
(in millions)	**Actual**	**Adjusted**	**Actual**	**Adjusted**
Common equity	**$ 9,461.4**	**$ 9,711.4**	$ 8,929.8	$ 9,179.8
Preferred stock of subsidiary	**30.4**	**30.4**	30.4	30.4
Long-term debt (including current portion)	**9,588.7**	**9,338.7**	9,315.4	9,065.4
Short-term debt	**1,444.6**	**1,444.6**	860.2	860.2
Total capitalization	**$ 20,525.1**	**$ 20,525.1**	$ 19,135.8	$ 19,135.8
Total debt	**$ 11,033.3**	**$ 10,783.3**	$ 10,175.6	$ 9,925.6
Ratio of debt to total capitalization	**53.8%**	**52.5%**	53.2%	51.9%

Included in long-term debt on our balance sheets as of December 31, 2017 and 2016, 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 by the rating agency treatment of the 2007 Junior Notes. 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 rate, maturity, and amount outstanding of each series of our long-term debt on a consolidated basis, see our capitalization statements.

As described in Note 9, 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, 2017, 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 11, Short-Term Debt and Lines of Credit, for more information about our credit facilities and other short-term credit agreements. See Note 12, Long-Term Debt and Capital Lease Obligations, for more information about our long-term debt.

Working Capital

As of December 31, 2017, our current liabilities exceeded our current assets by $1,655.8 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 January 2018, Moody's downgraded the rating outlook for WG to negative from stable as a result of the new Tax Legislation. We do not believe the change in rating outlook will have a material impact on our ability to access capital markets.

In July 2017, Moody's downgraded the ratings of WE (senior unsecured), WPS (senior unsecured), WG (senior unsecured), and ERGSS (senior secured) to A2 from A1. Moody's affirmed the commercial paper ratings of WE (P-1), WPS (P-1), and WG (P-1). Moody's also affirmed the ratings of WEC Energy Group (senior unsecured, A3), WECC (senior unsecured, A3), and Integrys (senior unsecured, A3), but changed the rating outlook for these companies to negative from stable. We do not believe the changes in ratings and rating outlook will have a material impact on our ability to access capital markets.

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 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 downgrading 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, 2017:

	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]	$ 18,025.9	$ 1,238.0	$ 1,801.1	$ 1,070.5	$ 13,916.3
Capital lease obligations [3]	71.4	14.7	31.9	24.8	—
Operating lease obligations [4]	115.1	9.5	16.8	14.7	74.1
Energy and transportation purchase obligations [5]	11,640.9	1,084.2	1,691.4	1,369.7	7,495.6
Purchase orders [6]	1,168.6	851.3	137.7	77.7	101.9
Pension and OPEB funding obligations [7]	49.0	13.1	35.9	—	—
Total contractual obligations	**$ 31,070.9**	**$ 3,210.8**	**$ 3,714.8**	**$ 2,557.4**	**$ 21,587.9**

(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 capital lease obligations). The interest due on our variable rate debt is based on the interest rates that were in effect on December 31, 2017.

(3) Capital lease obligations for power purchase commitments. This amount does not include We Power leases to WE which are eliminated upon consolidation.

(4) Operating lease obligations for power purchase commitments and rail car leases.

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

(6) Purchase obligations related to normal business operations, information technology, and other services.

(7) Obligations for pension and OPEB plans cannot reasonably be estimated beyond 2020.

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 13, Income Taxes.

The table above also does not reflect estimated future payments related to the manufactured gas plant remediation liability of $617.2 million at December 31, 2017, as the amount and timing of payments are uncertain. We expect to incur costs annually to remediate these sites. See Note 21, Commitments and Contingencies, for more information about environmental liabilities.

AROs in the amount of $573.7 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.

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

Capital Expenditures and 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, 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)	2018	2019	2020
Wisconsin	$ 1,430.1	$ 1,152.0	$ 1,850.2
Illinois	633.8	629.2	676.5
Other states	99.6	116.1	110.6
Non-utility energy infrastructure	280.8	60.5	51.9
Corporate and other	20.7	13.2	0.8
Total	$ 2,465.0	$ 1,971.0	$ 2,690.0

WPS is continuing work on the SMRP. 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 $250 million between 2018 and 2022 on this project. WE, WPS, and WG will also continue to upgrade their electric and natural gas distribution systems to enhance reliability. These upgrades include the 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.

As part of our commitment to invest in zero-carbon generation, we plan to invest in utility scale solar of up to 350 MW within our Wisconsin segment. Solar generation technology has greatly improved, has become more cost-effective, and it complements our summer demand curve.

In connection with the formation of UMERC, we entered into an agreement with Tilden under which it will purchase electric power from UMERC for 20 years, contingent upon UMERC's construction of approximately 180 MW of natural gas-fired generation in the Upper Peninsula of Michigan. The new generation is expected to begin commercial operation in 2019. The estimated cost of this project is approximately $266 million ($277 million with AFUDC). See Note 23, Regulatory Environment, for more information about UMERC and this new generation.

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 2020 is between $280 million and $300 million. See Note 23, Regulatory Environment, for more information on the SMP.

We expect to provide capital contributions to ATC and ATC Holdco (not included in the above table) of approximately $200 million from 2018 through 2020.

Common Stock Matters

For information related to our common stock matters, see Note 9, Common Equity.

On January 18, 2018, our Board of Directors increased our quarterly dividend to $0.5525 per share effective with the first quarter of 2018 dividend payment, which equates to an annual dividend of $2.21 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 $3.8 billion as of December 31, 2017. These trusts hold investments that are subject to the volatility of the stock market and interest rates. We contributed $120.5 million, $28.7 million, and $121.0 million to our pension and OPEB plans in 2017, 2016, and 2015, 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 17, 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 11, Short-Term Debt and Lines of Credit, Note 16, Guarantees, and Note 20, 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 the 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 our 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 six 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, 2017, our regulatory assets were $2,840.4 million, and our regulatory liabilities were $3,760.4 million.

Due to the Tax Legislation signed into law in December 2017, our regulated utilities remeasured their deferred taxes and recorded an estimated tax benefit of $2,450 million. This tax benefit will be returned to ratepayers through future refunds, bill credits, riders, or reductions to other regulatory assets. See Note 13, Income Taxes, and Note 23, 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:

- In June 2016, the PSCW approved the deferral of costs related to WPS's ReACT™ project above the originally authorized $275.0 million level through 2017. The total cost of the ReACT™ project, excluding $51 million of AFUDC, is currently estimated to be $342 million. In September 2017, the PSCW approved an extension of this deferral through 2019 as part of a settlement agreement. See Note 23, Regulatory Environment, for more information. WPS will be required to obtain a separate approval for collection of these deferred costs in a future rate case.
- Prior to its acquisition, 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, 2017, we had not received any significant disallowances of the costs incurred for this project. We will be required to obtain approval for the recovery of additional costs incurred through the completion of this long-term project.
- 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 2017, PGL filed its 2016 reconciliation with the ICC, which, along with the 2015 reconciliation, is still pending. In

2018, PGL agreed to a settlement of the 2014 reconciliation, which includes a rate base reduction of $5.4 million and a $4.7 million refund to ratepayers. As of December 31, 2017, 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 23, 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), Revenues and Customer Receivables, 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 2017, 2016, and 2015, 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, 2017, and December 31, 2016, a hypothetical increase in market interest rates of one percentage point would have increased annual interest expense by $20.6 million and $9.8 million in 2017 and 2016, 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, 2017	Expected Return on Assets in 2018
Pension trust funds	$ 2,966.8	7.12%
OPEB trust funds	$ 841.5	7.25%

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, Michigan, and Minnesota. 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.

INDUSTRY RESTRUCTURING

Electric Utility Industry

The regulated energy industry continues to experience significant changes. The FERC continues to support large RTOs, which affects the structure of the wholesale market. To this end, MISO implemented the MISO Energy Markets, 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.

Restructuring in 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.

Restructuring in 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, 2017, 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 from an alternative retail natural gas 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, there is little impact on our net income from customers purchasing natural gas from an alternative retail natural gas supplier as natural gas costs are passed through to customers in rates on a one-for-one basis.

Restructuring in Wisconsin

The PSCW previously instituted generic proceedings to consider how its regulation of natural gas distribution utilities should change to reflect a competitive environment in the natural gas industry. To date, the PSCW has made a policy decision to provide customer classes with competitive market choices the option to choose an alternative retail natural gas supplier. The PSCW has also adopted standards for transactions between a utility and its natural gas marketing affiliates. All of our Wisconsin customer classes have competitive market choices and, therefore, can purchase natural gas directly from either an alternative retail natural gas supplier or their local natural gas utility. Currently, we are unable to predict the impact of potential future industry restructuring on our results of operations or financial position.

Restructuring in Illinois

Since 2002, PGL and NSG have provided their customers with the option to choose an alternative retail natural gas supplier. We are not required by the ICC or state law to make this option available to customers, but since this option is currently provided to our Illinois customers, we would need ICC approval to eliminate it.

Restructuring in Minnesota

MERC has provided its commercial and industrial customers with the option to choose an alternative retail natural gas supplier since 2006. We are not required by the MPUC or state law to make this 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.

Restructuring in Michigan

The option to choose an alternative retail 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 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 21, 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

American Transmission Company Allowed Return on Equity Complaints

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 October 2014, the FERC issued an order to hear the complaint on ROE and set a refund effective date retroactive to November 2013. In December 2015, the ALJ issued an initial decision recommending that ATC and all other MISO transmission owners be authorized to collect a 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 incentive adder only applies to revenues collected after January 6, 2015. In September 2016, the FERC issued a final order related to this complaint affirming the use of the ROE stated in the ALJ's initial decision, effective as of the order date, on a going-forward basis. The order also required ATC to provide refunds, with interest, for the 15-month refund period from November 12, 2013, through February 11, 2015. The refunds ATC provided to WE and WPS for transmission costs paid during the refund period reduced the regulatory assets recorded under the PSCW-approved escrow accounting for transmission expense and resulted in a net regulatory liability for WPS. See Note 18, Investment in Transmission Affiliates, for more information.

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. In June 2016, the ALJ issued an initial decision recommending that ATC and all other MISO transmission owners be authorized to collect a base ROE of 9.7%, as well as the 0.5% incentive adder approved for MISO transmission owners. The ALJ's initial decision is not binding on the FERC and applies to revenues collected from February 12, 2015, through May 11, 2016. We are uncertain when a FERC order related to this matter will be issued.

The MISO transmission owners have filed various appeals related to several of the FERC orders with the D.C. Circuit Court of Appeals as well as requests for rehearing.

The decrease in ATC's ROE resulting from the FERC's final order issued in September 2016 will continue to have a negative impact on our equity earnings and distributions from ATC.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Legislation was signed into law. See Note 13, Income Taxes, and Note 23, Regulatory Environment, for more information regarding its impact on us.

Bonus Depreciation Provisions

Bonus depreciation is an additional amount of first-year tax deductible depreciation that is awarded above what would normally be available. Based on the Protecting Americans from Tax Hikes Act of 2015, a 50% bonus depreciation deduction was available for assets placed in service during 2017. The increase in our federal tax depreciation from this deduction significantly reduced our 2017 federal income tax payment.

On December 22, 2017, the Tax Legislation was signed into law. This legislation modified the bonus depreciation deduction available for public utility property subject to rate-making by a government entity or public utility commission. See Note 13, Income Taxes, for more information.

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.

Goodwill Impairment

We completed our annual goodwill impairment tests for all of our reporting units that carried a goodwill balance as of July 1, 2017. No impairments were recorded as a result of these tests. For our Bluewater reporting unit, we assumed fair value equaled carrying value since Bluewater was acquired on June 30, 2017. For all of our other reporting units that carried a goodwill balance, the fair values calculated in step one of the test were greater than their carrying values. The fair values for these 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 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 included ROEs, long-term growth rates used to determine terminal values at the end of the discrete forecast period, and 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 all of our reporting units other than Bluewater, fair value exceeded carrying value by over 50%. For Bluewater, we assumed fair value equaled carrying value since we acquired Bluewater on June 30, 2017. 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, 2017:

(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	7.3	0.2%
Total goodwill	$ 3,053.5	100.0%

See Note 8, Goodwill, for more information.

Long-Lived Assets

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, and assets within nonregulated operations that are proposed to be sold or are currently generating operating losses.

We have evaluated future plans for our older fossil fuel generating units and have announced our plans for the retirement of certain older and less-efficient generating units. 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, we assess the likelihood of recovery of the remaining carrying 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 the abandoned generating unit, an impairment charge may be required. An impairment charge would be recorded if the remaining carrying value of the abandoned generating unit is greater than the present value of the amount expected to be recovered from ratepayers.

We concluded that the Pleasant Prairie power plant, PIPP, the Pulliam power plant, and the jointly-owned Edgewater 4 generating unit meet the criteria to be considered probable of abandonment as of December 31, 2017. We plan to ask for full cost recovery of and a full return on the remaining book value of the generating units and have concluded that no impairment was required related to these assets as of December 31, 2017.

See Note 5, Property, Plant, and Equipment, for more information on the units to be retired.

Pension and Other Postretirement Employee Benefits

The costs of providing non-contributory defined pension benefits and OPEB, described in Note 17, 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 2017 Pension Cost
Discount rate	(0.5)	$ 211.3	$ 18.3
Discount rate	0.5	(183.6)	(10.3)
Rate of return on plan assets	(0.5)	N/A	13.6
Rate of return on plan assets	0.5	N/A	(13.6)

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 2017 Postretirement Benefit Cost
Discount rate	(0.5)	$ 56.2	$ 2.6
Discount rate	0.5	(49.3)	(1.3)
Health care cost trend rate	(0.5)	(31.9)	(3.3)
Health care cost trend rate	0.5	37.1	3.8
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 (or callable with make-whole provisions), noncollateralized, high-quality corporate bonds across the full maturity spectrum. The bonds are generally rated "Aa" with a minimum amount outstanding of $50.0 million. 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 7.11%, 7.12%, and 7.37%, in 2017, 2016, and 2015, respectively. The actual rate of return on pension plan assets, net of fees, was 13.74%, 7.75%, and (3.85)%, in 2017, 2016, and 2015, 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 17, Employee Benefits.

Regulatory Accounting

Our utility operations follow the guidance under the Regulated Operations Topic of the FASB ASC. 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 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 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, 2017, we had $2,840.4 million in regulatory assets and $3,760.4 million in regulatory liabilities. See Note 4, Regulatory Assets and Liabilities, for more information.

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 2017 of approximately $7.6 billion included accrued utility revenues of $538.1 million as of December 31, 2017.

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 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 the provision for income taxes in the 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 13, 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 16, 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)*	2017	2016	2015
Operating revenues	**$ 7,648.5**	$ 7,472.3	$ 5,926.1
Operating expenses			
Cost of sales	**2,822.8**	2,647.4	2,240.1
Other operation and maintenance	**2,047.0**	2,185.5	1,709.3
Depreciation and amortization	**798.6**	762.6	561.8
Property and revenue taxes	**194.9**	194.7	164.4
Total operating expenses	**5,863.3**	5,790.2	4,675.6
Operating income	**1,785.2**	1,682.1	1,250.5
Equity in earnings of transmission affiliates	**154.3**	146.5	96.1
Other income, net	**64.6**	80.8	58.9
Interest expense	**415.7**	402.7	331.4
Other expense	**(196.8)**	(175.4)	(176.4)
Income before income taxes	**1,588.4**	1,506.7	1,074.1
Income tax expense	**383.5**	566.5	433.8
Net income	**1,204.9**	940.2	640.3
Preferred stock dividends of subsidiary	**1.2**	1.2	1.8
Net income attributed to common shareholders	**$ 1,203.7**	$ 939.0	$ 638.5
Earnings per share			
Basic	**$ 3.81**	$ 2.98	$ 2.36
Diluted	**$ 3.79**	$ 2.96	$ 2.34
Weighted average common shares outstanding			
Basic	**315.6**	315.6	271.1
Diluted	**317.2**	316.9	272.7

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)*	2017	2016	2015
Net income	**$ 1,204.9**	$ 940.2	$ 640.3
Other comprehensive (loss) income, net of tax			
Derivatives accounted for as cash flow hedges			
Gains on settlement, net of tax of $7.6	**—**	—	11.4
Reclassification of gains to net income, net of tax	**(1.3)**	(1.3)	(0.8)
Cash flow hedges, net	**(1.3)**	(1.3)	10.6
Defined benefit plans			
Pension and OPEB adjustments arising during the period, net of tax of $0.6, $0.1, and $(4.2), respectively	**0.9**	(0.8)	(6.3)
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax	**0.4**	0.4	—
Defined benefit plans, net	**1.3**	(0.4)	(6.3)
Other comprehensive (loss) income, net of tax	**—**	(1.7)	4.3
Comprehensive income	**1,204.9**	938.5	644.6
Preferred stock dividends of subsidiary	**1.2**	1.2	1.8
Comprehensive income attributed to common shareholders	**$ 1,203.7**	$ 937.3	$ 642.8

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)***	**2017**	**2016**
Assets		
Current assets		
Cash and cash equivalents	**$ 38.9**	$ 37.5
Accounts receivable and unbilled revenues, net of reserves of $143.2 and $108.0, respectively	**1,350.7**	1,241.7
Materials, supplies, and inventories	**539.0**	587.6
Prepayments	**210.0**	204.4
Other	**74.9**	97.5
Current assets	**2,213.5**	2,168.7
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of $8,618.5 and $8,214.6, respectively	**21,347.0**	19,915.5
Regulatory assets	**2,803.2**	3,087.9
Equity investment in transmission affiliates	**1,553.4**	1,443.9
Goodwill	**3,053.5**	3,046.2
Other	**619.9**	461.0
Long-term assets	**29,377.0**	27,954.5
Total assets	**$ 31,590.5**	$ 30,123.2
Liabilities and Equity		
Current liabilities		
Short-term debt	**$ 1,444.6**	$ 860.2
Current portion of long-term debt	**842.1**	157.2
Accounts payable	**859.9**	861.5
Accrued payroll and benefits	**169.1**	163.8
Other	**553.6**	388.9
Current liabilities	**3,869.3**	2,431.6
Long-term liabilities		
Long-term debt	**8,746.6**	9,158.2
Deferred income taxes	**2,999.8**	5,146.6
Deferred revenue, net	**543.3**	566.2
Regulatory liabilities	**3,718.6**	1,563.8
Environmental remediation liabilities	**617.4**	633.6
Pension and OPEB obligations	**397.4**	498.6
Other	**1,206.3**	1,164.4
Long-term liabilities	**18,229.4**	18,731.4
Commitments and contingencies (Note 21)		
Common shareholders' equity		
Common stock – $0.01 par value; 325,000,000 shares authorized; 315,574,624 and 315,614,941 shares outstanding, respectively	**3.2**	3.2
Additional paid in capital	**4,278.5**	4,309.8
Retained earnings	**5,176.8**	4,613.9
Accumulated other comprehensive income	**2.9**	2.9
Common shareholders' equity	**9,461.4**	8,929.8
Preferred stock of subsidiary	**30.4**	30.4
Total liabilities and equity	**$ 31,590.5**	$ 30,123.2

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)*	2017	2016	2015
Operating activities			
Net income	**1,204.9**	$ 940.2	$ 640.3
Reconciliation to cash provided by operating activities			
Depreciation and amortization	**798.6**	762.6	583.5
Deferred income taxes and investment tax credits, net	**271.7**	493.8	418.7
Contributions and payments related to pension and OPEB plans	**(120.5)**	(28.7)	(121.0)
Equity income in transmission affiliates, net of distributions	**(4.8)**	(46.6)	(11.0)
Change in –			
Accounts receivable and unbilled revenues	**(86.4)**	(180.7)	84.0
Materials, supplies, and inventories	**49.3**	100.0	(69.4)
Other current assets	**(6.0)**	103.1	(27.2)
Accounts payable	**8.5**	34.4	(9.3)
Other current liabilities	**161.8**	(20.8)	14.1
Other, net	**(197.5)**	(53.8)	(209.1)
Net cash provided by operating activities	**2,079.6**	2,103.5	1,293.6
Investing activities			
Capital expenditures	**(1,959.5)**	(1,423.7)	(1,266.2)
Integrys acquisition, net of cash acquired of $156.3	**—**	—	(1,329.9)
Bluewater acquisition	**(226.0)**	—	—
Capital contributions to transmission affiliates	**(109.6)**	(42.3)	(8.7)
Proceeds from the sale of assets and businesses	**24.0**	166.3	28.9
Withdrawal of restricted cash from Rabbi trust for qualifying payments	**19.5**	26.6	1.4
Other, net	**12.0**	3.0	57.0
Net cash used in investing activities	**(2,239.6)**	(1,270.1)	(2,517.5)
Financing activities			
Exercise of stock options	**30.8**	41.6	30.1
Purchase of common stock	**(71.3)**	(108.0)	(74.7)
Dividends paid on common stock	**(656.5)**	(624.9)	(455.4)
Redemption of WPS preferred stock	**—**	—	(52.7)
Issuance of long-term debt	**435.0**	400.0	2,150.0
Retirement of long-term debt	**(154.5)**	(306.0)	(529.6)
Change in short-term debt	**584.4**	(234.8)	163.0
Other, net	**(6.5)**	(13.6)	(18.9)
Net cash provided by (used in) financing activities	**161.4**	(845.7)	1,211.8
Net change in cash and cash equivalents	**1.4**	(12.3)	(12.1)
Cash and cash equivalents at beginning of year	**37.5**	49.8	61.9
Cash and cash equivalents at end of year	**$ 38.9**	$ 37.5	$ 49.8

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

WEC ENERGY GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions, expect per share amounts)	WEC Energy Group Common Shareholders' Equity: Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Common Shareholders' Equity	Preferred Stock of Subsidiary	Total Equity
Balance at December 31, 2014	$ 2.3	$ 300.1	$ 4,117.0	$ 0.3	$ 4,419.7	$ 30.4	$ 4,450.1
Net income attributed to common shareholders	—	—	638.5	—	638.5	—	638.5
Other comprehensive income	—	—	—	4.3	4.3	—	4.3
Common stock dividends of $1.74 per share	—	—	(455.4)	—	(455.4)	—	(455.4)
Exercise of stock options	—	30.1	—	—	30.1	—	30.1
Issuance of common stock for the acquisition of Integrys	0.9	4,072.0	—	—	4,072.9	—	4,072.9
Purchase of common stock	—	(74.7)	—	—	(74.7)	—	(74.7)
Addition of WPS preferred stock	—	—	—	—	—	51.1	51.1
Redemption of WPS preferred stock	—	(1.6)	—	—	(1.6)	(51.1)	(52.7)
Stock-based compensation and other	—	21.3	(0.3)	—	21.0	—	21.0
Balance at December 31, 2015	$ 3.2	$ 4,347.2	$ 4,299.8	$ 4.6	$ 8,654.8	$ 30.4	$ 8,685.2
Net income attributed to common shareholders	—	—	939.0	—	939.0	—	939.0
Other comprehensive loss	—	—	—	(1.7)	(1.7)	—	(1.7)
Common stock dividends of $1.98 per share	—	—	(624.9)	—	(624.9)	—	(624.9)
Exercise of stock options	—	41.6	—	—	41.6	—	41.6
Purchase of common stock	—	(108.0)	—	—	(108.0)	—	(108.0)
Stock-based compensation and other	—	29.0	—	—	29.0	—	29.0
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 $2.08 per share	**—**	**—**	**(656.5)**	**—**	**(656.5)**	**—**	**(656.5)**
Exercise of stock options	**—**	**30.8**	**—**	**—**	**30.8**	**—**	**30.8**
Purchase of common stock	**—**	**(71.3)**	**—**	**—**	**(71.3)**	**—**	**(71.3)**
Cumulative effect adjustment from adoption of ASU 2016-09	**—**	**—**	**15.7**	**—**	**15.7**	**—**	**15.7**
Stock-based compensation and other	**—**	**9.2**	**—**	**—**	**9.2**	**—**	**9.2**
Balance at December 31, 2017	**$ 3.2**	**$ 4,278.5**	**$ 5,176.8**	**$ 2.9**	**$ 9,461.4**	**$ 30.4**	**$ 9,491.8**

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

WEC ENERGY GROUP, INC.
CONSOLIDATED STATEMENTS OF CAPITALIZATION

At December 31 *(in millions)*				2017	2016
Common shareholder's equity (see accompanying statement)				**$ 9,461.4**	$ 8,929.8
Preferred stock of subsidiary (Note 10)				**30.4**	30.4
Long-term debt	**Interest Rate**		**Year Due**		
WEC Energy Group Senior Notes (unsecured)	1.65%		2018	**300.0**	300.0
	2.45%		2020	**400.0**	400.0
	3.55%		2025	**500.0**	500.0
	6.20%		2033	**200.0**	200.0
WEC Energy Group Junior Notes (unsecured) (1)	3.53%		2067	**500.0**	500.0
WE Debentures (unsecured)	1.70%		2018	**250.0**	250.0
	4.25%		2019	**250.0**	250.0
	2.95%		2021	**300.0**	300.0
	3.10%		2025	**250.0**	250.0
	6.50%		2028	**150.0**	150.0
	5.625%		2033	**335.0**	335.0
	5.70%		2036	**300.0**	300.0
	3.65%		2042	**250.0**	250.0
	4.25%		2044	**250.0**	250.0
	4.30%		2045	**250.0**	250.0
	6.875%		2095	**100.0**	100.0
WPS Senior Notes (unsecured)	5.65%		2017	**—**	125.0
	1.65%		2018	**250.0**	250.0
	6.08%		2028	**50.0**	50.0
	5.55%		2036	**125.0**	125.0
	3.671%		2042	**300.0**	300.0
	4.752%		2044	**450.0**	450.0
WG Debentures (unsecured)	3.53%		2025	**200.0**	200.0
	5.90%		2035	**90.0**	90.0
	3.71%		2046	**200.0**	200.0
PGL First and Refunding Mortgage Bonds (secured) (2)	8.00%		2018	**5.0**	5.0
	4.63%		2019	**75.0**	75.0
	3.90%		2030	**50.0**	50.0
	1.875%		2033	**50.0**	50.0
	4.00%		2033	**50.0**	50.0
	3.98%		2042	**100.0**	100.0
	3.96%		2043	**220.0**	220.0
	4.21%		2044	**200.0**	200.0
	3.65%		2046	**50.0**	50.0
	3.65%		2046	**150.0**	150.0
	3.77%		2047	**100.0**	—
NSG First Mortgage Bonds (secured) (3)	3.43%		2027	**28.0**	28.0
	3.96%		2043	**54.0**	54.0
MGU Senior Notes (unsecured)	3.11%		2027	**30.0**	—
	3.41%		2032	**30.0**	—
	4.01%		2047	**30.0**	—
MERC Senior Notes (unsecured)	3.11%		2027	**40.0**	—
	3.41%		2032	**40.0**	—
	4.01%		2047	**40.0**	—
Bluewater Gas Storage Senior Notes (unsecured)	3.76%		2018-2047	**125.0**	—
We Power Subsidiaries Notes (secured, nonrecourse)	4.91%	(4)	2018-2030	**101.0**	106.7
	5.209%	(5)	2018-2030	**194.1**	204.8
	4.673%	(5)	2018-2031	**162.4**	170.9
	6.00%	(4)	2018-2033	**121.5**	126.1
	6.09%	(5)	2030-2040	**275.0**	275.0

Long-term debt (continued)	Interest Rate		Year Due	2017	2016
We Power Subsidiaries Notes (secured, nonrecourse) (continued)	5.848%	(5)	2031-2041	**215.0**	215.0
WECC Notes (unsecured)	6.94%		2028	**50.0**	50.0
Integrys Senior Notes (unsecured)	4.17%		2020	**250.0**	250.0
Integrys Junior Notes (unsecured)	3.60%	(6)	2066	**114.9**	114.9
	6.00%		2073	**400.0**	400.0
Other Notes (secured, nonrecourse)	4.81%		2030	**—**	2.0
Obligations under capital leases				**27.0**	29.6
Total				**9,627.9**	9,352.0
Integrys acquisition fair value adjustment				**26.9**	33.3
Unamortized debt issuance costs				**(38.0)**	(38.1)
Unamortized discount, net and other				**(28.1)**	(31.8)
Total long-term debt, including current portion				**9,588.7**	9,315.4
Current portion of long-term debt and capital lease obligations				**(842.1)**	(157.2)
Total long-term debt				**8,746.6**	9,158.2
Total long-term capitalization				**$ 18,238.4**	$ 18,118.4

(1) Variable interest rate reset quarterly. The rate was 3.53% as of December 31, 2017. Prior to May 15, 2017, fixed rate of 6.25%.

(2) 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.

(3) 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.

(4) We Power senior notes, secured by a collateral assignment of the leases between PWGS and WE related to PWGS 1 and PWGS 2.

(5) We Power senior notes, secured by a collateral assignment of the leases between ERGSS and WE related to ER 1 and ER 2.

(6) Variable interest rate reset quarterly. At December 31, 2017 and 2016, the rate was 3.60% and 3.05%, respectively.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations—WEC Energy Group serves approximately 1.6 million electric customers and 2.8 million natural gas customers, and it 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, statements of equity, and statements of capitalization, unless otherwise noted.

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, WG, and WPS, which are engaged primarily in the generation of electricity and the distribution of electricity and natural gas in Wisconsin, and UMERC, which includes WE's electric operations and WPS's electric and natural gas operations in the state of Michigan that were transferred to UMERC effective January 1, 2017.
- 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 federally regulated electric transmission company.
- 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. See Note 2, Acquisitions, for more information on the June 2017 Bluewater transaction.
- 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, PDL, and ITF. In the first quarter of 2017, we sold substantially all of the remaining assets of Bostco and in the second quarter of 2016, we sold certain assets of Wisvest. The sale of ITF was completed in the first quarter of 2016. See Note 3, Dispositions, for more information on these sales.

Our financial statements also reflect our proportionate interests in certain jointly owned utility facilities. See Note 6, Jointly Owned Facilities, for more information. The cost method of accounting is used for investments when we do not have significant influence over the operating and financial policies of the investee. 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.

(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) Revenues and Customer Receivables—We recognize revenues related to the sale of energy on the accrual basis and include estimated amounts for services provided but not yet billed to customers.

We present revenues net of pass-through taxes on the income statements.

Below is a summary of the significant mechanisms our utility subsidiaries had in place that allowed them to recover or refund changes in prudently incurred costs from rate case-approved amounts:

- Fuel and purchased power costs were recovered from customers on a one-for-one basis by our Wisconsin wholesale electric operations and our Michigan retail electric operations.
- Our retail electric rates in Wisconsin are established by the PSCW and include base amounts for fuel and purchased power costs. 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.

- WE received payments from MISO under an SSR agreement for its PIPP units through February 1, 2015. We recorded revenue for these payments to recover costs for operating and maintaining these units. See Note 23, Regulatory Environment, for more information.
- The rates for all of our natural gas utilities included 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.
- The rates of PGL and NSG included riders for cost recovery of both environmental cleanup costs and energy conservation and management program costs.
- MERC's rates included a conservation improvement program rider for cost recovery of energy conservation and management program costs as well as a financial incentive for meeting energy savings goals.
- The rates of PGL and NSG, and the residential rates of WE and WG, included 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, NSG, MERC, and MGU included decoupling mechanisms. These mechanisms differ by state and allow utilities to recover or refund differences between actual and authorized margins. MGU's decoupling mechanism was discontinued after December 31, 2015. See Note 23, Regulatory Environment, for more information.
- PGL's rates included a cost recovery mechanism for SMP costs.

Revenues are also impacted by other accounting policies related to our electric utilities' participation in the MISO Energy Markets. Our electric utilities sell and purchase power in the MISO Energy Markets, which operate under both day-ahead and real-time markets. We record energy transactions in the MISO Energy Markets on a net basis for each hour. If our electric utilities were a net seller in a particular hour, the net amount was reported as operating revenues. If our electric utilities were a net purchaser in a particular hour, the net amount was recorded as cost of sales on our income statements.

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, WG, PGL, and NSG is mitigated by their recovery mechanisms for uncollectible expense discussed above. As a result, we did not have any significant concentrations of credit risk at December 31, 2017. In addition, there were no customers that accounted for more than 10% of our revenues for the year ended December 31, 2017.

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

(in millions)	2017	2016
Natural gas in storage	**$ 209.0**	$ 223.1
Materials and supplies	**211.2**	206.5
Fossil fuel	**118.8**	158.0
Total	**$ 539.0**	$ 587.6

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 15% and 18% of total inventories at December 31, 2017 and 2016, respectively. The estimated replacement cost of natural gas in inventory at December 31, 2017 and 2016, exceeded the LIFO cost by $152.1 million and $92.9 million, respectively. In calculating these replacement amounts, PGL and NSG used a Chicago city-gate natural gas price per Dth of $4.68 at December 31, 2017, and $3.63 at December 31, 2016.

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

(f) Investments Held in Rabbi Trust— Integrys has a rabbi trust that 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. The trust holds investments that are classified as trading securities for accounting purposes. As we do not intend to sell the investments in the near term, they are included in other long-term assets on our balance sheets. The net unrealized gains included in earnings related to the investments held at the end of the period were $18.8 million for the year ended December 31, 2017. The net unrealized gains and losses included in earnings for the years ended December 31, 2016 and 2015 were not significant.

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

Recovery or refund of regulatory assets and liabilities is based on specific periods determined by the regulators or occurs over the normal operating period of the assets and liabilities to which they relate. If at any reporting date a previously recorded regulatory asset is no longer probable of recovery, the regulatory asset is reduced to the amount considered probable of recovery with the reduction charged to expense in the reporting period the determination is made. See Note 4, Regulatory Assets and Liabilities, for more information.

(h) 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	2017	2016	2015
WE	2.95%	3.00%	3.01%
WPS (1)	2.55%	2.58%	1.30%
WG	2.30%	2.34%	2.36%
UMERC (2)	2.46%	N/A	N/A
PGL (1)	3.29%	3.31%	1.67%
NSG (1)	2.43%	2.44%	1.22%
MERC (1)	2.51%	2.53%	1.26%
MGU (1)	2.61%	2.63%	1.32%

(1) The rates shown for 2015 are for a partial year as a result of the acquisition of Integrys. The full year rate would be approximately double the rate shown.

(2) UMERC became operational effective January 1, 2017. See Note 1(a), Nature of Operations, for more information.

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 5, Property, Plant, and Equipment, for more information.

(i) 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, and WG. Approximately 50% of WE's, WPS's, WBS's, and WG's retail jurisdictional CWIP expenditures are subject to the AFUDC calculation. The AFUDC calculation for WBS uses the WPS AFUDC retail rate, while the 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 2017, 2016, or 2015. Average AFUDC rates are shown below:

	2017	
	Average AFUDC Retail Rate	Average AFUDC Wholesale Rate
WE	8.45%	5.94%
WPS	7.72%	1.01%
WBS	7.72%	N/A
WG	8.33%	N/A

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

(in millions)	2017	2016	2015
AFUDC – Debt	**$ 4.9**	$ 10.9	$ 8.6
AFUDC – Equity	**$ 11.4**	$ 25.1	$ 20.1

(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 8, 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, and 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 applicable criteria to be considered probable of abandonment, we assess the likelihood of recovery of the remaining carrying 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 the abandoned generating unit, an impairment charge may be required. An impairment charge would be recorded if the remaining carrying value of the abandoned generating unit is greater than the present value of the amount expected to be recovered from ratepayers. See Note 5, Property, Plant, and Equipment, for more information.

The carrying amounts of cost and 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, a 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 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 7, 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 modifies 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.

ASU 2016-09 also requires excess tax benefits to be classified as an operating activity on the statement of cash flows. As we have elected to apply this provision on a prospective basis, the prior year amounts will continue to be reflected as a financing activity. As allowed under this ASU, we have also 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 a three-year period. 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 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:

	2017	2016	2015
Stock options granted	**552,215**	794,764	516,475
Estimated weighted-average fair value per stock option	**$ 7.45**	$ 5.14	$ 5.29
Assumptions used to value the options:			
Risk-free interest rate	**0.7% – 2.5%**	0.4% – 2.2%	0.1% – 2.1%
Dividend yield	**3.5%**	4.0%	3.7%
Expected volatility	**19.0%**	18.1%	18.0%
Expected life (years)	**6.8**	6.1	5.8

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 have a three-year vesting period 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 non-employee directors after January 1, 2017, fully vest on the one-year anniversary of the grant date.

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 a three-year period, and beginning in 2017, other performance metrics as determined by the Compensation Committee. Under the terms of the award, participants may earn between 0% and 175% of the performance unit award, as adjusted pursuant to the terms of the plan. Performance units granted on or after January 1, 2016 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 recorded over the three-year performance period.

See Note 9, 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. The calculation of diluted earnings per share for the years ended December 31, 2016 and 2015 excluded 181,709 and 516,475 stock options, respectively, that had an anti-dilutive effect. There were no securities that had an anti-dilutive effect for the year ended December 31, 2017.

(n) Deferred Revenue—As part of the construction of We Power's electric generating units, we capitalized interest during construction. As allowed under the lease agreements, we were able to collect the carrying costs during the construction of these generating units from our utility customers. The carrying costs that we collected during construction have been recorded as deferred revenue on our balance sheets and we are amortizing the deferred carrying costs to revenue over the individual lease terms.

(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. 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. See Note 13, Income Taxes, for more information.

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

(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.

Derivatives were transferred between levels of the fair value hierarchy primarily due to observable pricing becoming available. We recognize transfers between levels of the fair value hierarchy at their value as of the end of the reporting period.

Due to the short-term nature of cash and cash equivalents, net accounts receivable and unbilled revenues, accounts payable, and short-term debt, the carrying amount of each such item approximates fair value. The fair value of our preferred stock is estimated based on the quoted market value for the same issue, or by using a dividend discount model. The fair value of our long-term debt is estimated based upon the quoted market value for the same issue, similar issues, or upon the quoted market prices of United States Treasury issues having a similar term to maturity, adjusted for the issuing company's bond rating and the present value of future cash flows. The fair values of long-term debt and preferred stock are categorized within Level 2 of the fair value hierarchy.

See Note 14, 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 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. Realized gains and losses on derivative instruments are primarily recorded in cost of sales on the income statements. 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 15, Derivative Instruments, for more information.

(r) Guarantees— We follow the guidance of the Guarantees Topic of the FASB ASC, which requires that the guarantor recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. See Note 16, 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 17, 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 7, Asset Retirement Obligations, for more information regarding coal combustion product landfill sites and Note 21, 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.

NOTE 2—ACQUISITIONS

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 the Forward Wind Energy Center, which consists of 86 wind turbines located in Wisconsin with a total capacity of 129 MW. The aggregate purchase price is approximately $174 million of which WPS's proportionate share is 44.6%, or approximately $78 million. WPS currently purchases 44.6% of the facility's energy output under a power purchase agreement. The FERC approved the transaction on January 16, 2018. The transaction remains subject to PSCW approval and is expected to close in the spring of 2018.

Acquisition of Natural Gas Storage Facilities in Michigan

On June 30, 2017, we completed the acquisition of Bluewater for $226.0 million. Bluewater owns natural gas storage facilities in Michigan that will provide approximately one-third of the current storage needs for our Wisconsin natural gas utilities. In addition, we incurred $4.9 million of acquisition related costs.

The table below shows the preliminary allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition. The allocation is subject to change during the remainder of the measurement period, which ends one year from the acquisition date, as we obtain additional information. 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. Bluewater is regulated by the FERC. Its operations meet the criteria, and accordingly, are accounted for following the accounting guidance under the Regulated Operations Topic of the FASB ASC. See Note 19, Segment Information, for more information.

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

Acquisition of Integrys

On June 29, 2015, Wisconsin Energy Corporation acquired 100% of the outstanding common shares of Integrys and changed its name to WEC Energy Group, Inc. Integrys is a provider of regulated natural gas and electricity, as well as nonregulated renewable energy products and services. Integrys also provided CNG products and services prior to the sale of ITF in the first quarter of 2016. Integrys held a 34% interest in ATC, a for-profit transmission company regulated by the FERC, which has since been moved to another of our subsidiaries. The acquisition of Integrys has provided increased scale, operating efficiencies, and the potential for long-term cost savings through a combination of lower capital and operating costs.

Purchase Price

Pursuant to the Merger Agreement, Integrys's shareholders received 1.128 shares of Wisconsin Energy Corporation common stock and $18.58 in cash per share of Integrys common stock. The total consideration transferred was based on the closing price of Wisconsin Energy Corporation common stock on June 29, 2015, and was calculated as follows:

	Consideration Paid		
(in millions, except per share amounts)	**Stock**	**Cash**	**Total**
Integrys common shares outstanding at June 29, 2015	79,963,091	79,963,091	
Exchange ratio	1.128		
Wisconsin Energy Corporation shares issued for Integrys shares *	90,187,884		
Closing price of Wisconsin Energy Corporation common shares on June 29, 2015	$45.16		
Fair value of common stock issued	$ 4,072.9		$ 4,072.9
Cash paid per share of Integrys shares outstanding		$18.58	
Fair value of cash paid for Integrys shares *		$ 1,486.2	$ 1,486.2
Consideration attributable to settlement of equity awards, net of tax		$ 24.0	$ 24.0
Total purchase price	$ 4,072.9	$ 1,510.2	$ 5,583.1

* Fractional shares of 10,483 totaling $0.5 million were paid in cash.

All Integrys unvested stock-based compensation awards became fully vested upon the close of the acquisition and were either paid to award recipients in cash, or the value of the awards was deferred into a deferred compensation plan. In addition, all vested but unexercised Integrys stock options were paid in cash. In accordance with accounting guidance for business combinations, the acceleration of the vesting was recorded as an acquisition-related expense.

Allocation of Purchase Price

The Integrys assets acquired and liabilities assumed were measured at estimated fair value in accordance with the accounting guidance under the Business Combinations Topic in the FASB ASC. Substantially all of Integrys's operations are subject to the rate-setting authority of federal and state regulatory commissions. These operations are accounted for following the accounting guidance under the Regulated Operations Topic of the FASB ASC. The underlying assets and liabilities of ATC are also regulated by the FERC. Integrys's assets and liabilities that are subject to rate-setting provisions provide revenues derived from costs, including a return on investment of assets less liabilities included in rate base. As such, the fair values of these assets and liabilities equal their carrying values. Accordingly, neither the assets and liabilities acquired, nor the pro forma financial information, reflect any adjustments related to these amounts.

The excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed was recognized as goodwill. The goodwill reflects the value paid for the increased scale and efficiencies as a result of the combination. The goodwill recognized is not deductible for income tax purposes, and as such, no deferred taxes have been recorded related to goodwill. See Note 8, Goodwill, for the allocation of goodwill to our reportable segments.

During the first six months of 2016, adjustments were made to the estimated fair values of the assets acquired and liabilities assumed, primarily in connection with the sale of ITF and reserves recorded for likely settlements of certain legal and regulatory matters. The table below shows the final allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition:

(in millions)	
Current assets	**$ 1,060.1**
Property, plant, and equipment, net	**7,107.4**
Goodwill	**2,604.3**
Other long-term assets *	**2,830.5**
Current liabilities	**(1,320.7)**
Long-term debt	**(2,943.6)**
Other long-term liabilities	**(3,703.8)**
Preferred stock of subsidiary	**(51.1)**
Total purchase price	**$ 5,583.1**

* Includes equity method goodwill related to Integrys's investment in ATC. See Note 18, Investment in Transmission Affiliates, for more information.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which requires that an acquirer recognize and disclose adjustments to provisional amounts that are identified during an acquisition measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Early adoption was permitted for any interim and annual financial statements that had not yet been issued. We early adopted ASU 2015-16 in the fourth quarter of 2015. Adoption had no impact on our financial statements.

Conditions of Approval

The acquisition was subject to the approvals of various government agencies, including the FERC, Federal Communications Commission, PSCW, ICC, MPSC, and MPUC. Approvals were obtained from all agencies subject to several conditions.

The PSCW order includes the following conditions:

- WE and WG are each subject to an earnings sharing mechanism for three years beginning January 1, 2016. Under the earnings sharing mechanisms, if either company earns above its authorized return, 50% of the first 50 basis points of additional utility earnings will be shared with customers. For WE, the additional utility earnings will be used to reduce the company's transmission escrow. For WG, additional utility earnings will be used to reduce the costs of its Western Gas Lateral project that would otherwise be included in rates. All utility earnings above the first 50 basis points will be used to reduce the transmission escrow for WE and reduce the costs of the Western Gas Lateral that would otherwise be included in rates for WG. For the years ended December 31, 2017 and 2016, WE and WG recorded a combined $2.9 million and $24.4 million of expense related to these earnings sharing mechanisms, respectively.
- Any future electric generation projects affecting Wisconsin ratepayers submitted by us or our subsidiaries will first consider the extent to which existing intercompany resources can meet energy and capacity needs. In September 2015, WPS and WE filed a joint integrated resource plan with the PSCW for their combined loads, which indicated that no new generation was needed at the time.

The ICC order included a base rate freeze for PGL and NSG effective for two years after the close of the acquisition. This base rate freeze expired in 2017 and did not impact PGL's or NSG's ability to adjust rates through various riders or GCRMs.

Pro Forma Information

The following unaudited pro forma financial information reflects the consolidated results and amortization of purchase price adjustments as if the acquisition had taken place on January 1, 2014. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or our future consolidated results.

The pro forma financial information does not reflect any potential cost savings from operating efficiencies resulting from the acquisition and does not include certain acquisition-related costs.

(in millions, except per share amounts)	**Year ended December 31, 2015**
Unaudited pro forma financial information	
Operating revenues	$ 7,727.1
Net income attributed to common shareholders	$ 873.5
Earnings per share (Basic)	$ 2.77
Earnings per share (Diluted)	$ 2.75

Impact of Acquisition

As a result of the acquisition, our ownership of ATC increased to approximately 60%. We have made commitments with respect to our voting rights of the combined ownership of ATC, which are included as enforceable conditions in the FERC and PSCW orders approving the acquisition. Under GAAP, these commitments do not allow for the consolidation of ATC in our financial statements and the 60% ownership is accounted for as an equity method investment subsequent to the close of the acquisition. See Note 18, Investment in Transmission Affiliates, for more information.

In connection with the acquisition, WEC Energy Group and its subsidiaries recorded pre-tax acquisition costs of $3.5 million and $107.6 million during 2016 and 2015, respectively. These costs consisted of employee-related expenses, professional fees, and other miscellaneous costs. They are primarily recorded in the other operation and maintenance line item on the income statements.

Included in the 2015 acquisition costs was $24.9 million of severance expense that resulted from employee reductions related to the post-acquisition integration. Severance expense incurred after 2015 was not significant. The 2015 severance expense was recorded in the following segments:

(in millions)	Year ended December 31, 2015
Wisconsin	$ 11.1
Illinois	0.9
Other states	0.1
Corporate and other	12.8
Total severance expense	$ 24.9

Severance payments made during 2017 were not significant. Severance payments of $7.5 million and $16.9 million were made during 2016 and 2015, respectively. The severance accrual on our balance sheets at December 31, 2017 and 2016 related to the acquisition of Integrys was not significant.

Our revenues for the year ended December 31, 2015 include revenues attributable to Integrys of $1,416.8 million. Included in our net income for the year ended December 31, 2015, is net income attributable to Integrys of $65.9 million.

NOTE 3—DISPOSITIONS

Wisconsin Segment

Sale of Milwaukee County Power Plant

In April 2016, we sold the MCPP steam generation and distribution assets, located in Wauwatosa, Wisconsin. MCPP primarily provided steam to the Milwaukee Regional Medical Center hospitals and other campus buildings. During the second quarter of 2016, we recorded a pre-tax gain on the sale of $10.9 million ($6.5 million after tax), which was included in other operation and maintenance 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 of this plant 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.

Corporate and Other Segment

Sale of Bostco 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. 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.

Sale of Certain Assets of Wisvest

In April 2016, as part of the MCPP sale transaction, we sold the chilled water generation and distribution assets of Wisvest, which are used to provide chilled water services to the Milwaukee Regional Medical Center hospitals and other campus buildings. During the second quarter of 2016, we recorded a pre-tax gain on the sale of $19.6 million ($11.8 million after tax), 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.

Sale of Integrys Transportation Fuels

Through a series of transactions in the fourth quarter of 2015 and the first quarter of 2016, we sold ITF, a provider of CNG fueling services and a single-source provider of CNG fueling facility design, construction, operation, and maintenance. There was no gain or loss recorded on the sales, as ITF's assets and liabilities were adjusted to fair value through purchase accounting. The results of operations of ITF remained in continuing operations through the sale date as the sale of ITF did not represent a shift in our corporate strategy and did not have a major effect on our operations and financial results. The pre-tax profit or loss of this component was not material through the sale date in 2016.

NOTE 4—REGULATORY ASSETS AND LIABILITIES

We recorded a $2,450 million change in our deferred taxes for our regulated utilities due to the enactment of the Tax Legislation, which resulted in both an increase to income tax related regulatory liabilities as well as a decrease to certain existing income tax related regulatory assets represented in Income tax related items in the table below. The $2,450 million change in our deferred taxes represents our estimate of the tax benefit that will be returned to ratepayers through future refunds, bill credits, riders, or reductions in other regulatory assets. See Note 13, Income Taxes, for more information on the Tax Legislation.

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

(in millions)	2017	2016	See Note
Regulatory assets [1] [2]			
Unrecognized pension and OPEB costs [3]	**$ 1,142.0**	$ 1,252.1	17
Environmental remediation costs [4]	**676.6**	702.7	21
SSR	**298.9**	188.1	23
Electric transmission costs	**221.0**	234.1	23
AROs	**192.2**	179.2	7
We Power generation [5]	**71.3**	54.1	
Uncollectible expense [6]	**35.1**	25.6	1(d)
Energy efficiency programs [7]	**24.6**	36.7	
Income tax related items	**15.7**	285.1	13
Other, net	**163.0**	180.6	
Total regulatory assets	**$ 2,840.4**	$ 3,138.3	
Balance Sheet Presentation			
Current assets [8]	**$ 37.2**	$ 50.4	
Regulatory assets	**2,803.2**	3,087.9	
Total regulatory assets	**$ 2,840.4**	$ 3,138.3	

(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 the table.

(2) As of December 31, 2017, we had $116.9 million of regulatory assets not earning a return and $261.1 million of regulatory assets earning a return based on short-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 certain unrecognized pension and OPEB costs, unamortized loss on reacquired debt, and plant-related costs. The other regulatory assets in the table either earn a return or the cash has not yet been expended, in which case the regulatory assets are offset by liabilities.

(3) Represents the unrecognized future pension and OPEB costs resulting from actuarial gains and losses on defined benefit and OPEB plans. We are authorized recovery of this regulatory asset over the average remaining service life of each plan.

(4) As of December 31, 2017, we had not yet made cash expenditures for $617.4 million of these environmental remediation costs.

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

(6) 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.

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

(8) Short-term regulatory assets are recorded in accounts receivable and unbilled revenues on our balance sheets.

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

(in millions)	2017	2016	See Note
Regulatory liabilities			
2017 Tax Legislation impact and income tax related	$ **2,134.1**	$ —	13
Removal costs [1]	**1,294.9**	1,262.7	
Unrecognized pension and OPEB costs [2]	**114.2**	63.0	17
Mines deferral [3]	**95.1**	70.2	
Energy costs refundable through rate adjustments [4]	**42.0**	88.7	
Uncollectible expense [5]	**24.7**	36.1	1(d)
Derivatives	**11.0**	41.1	1(q)
Other, net	**44.4**	35.4	
Total regulatory liabilities	$ **3,760.4**	$ 1,597.2	
Balance Sheet Presentation			
Current liabilities	$ **41.8**	$ 33.4	
Regulatory liabilities	**3,718.6**	1,563.8	
Total regulatory liabilities	$ **3,760.4**	$ 1,597.2	

(1) Represents amounts collected from customers to cover the cost of future removal of property, plant, and equipment.

(2) Represents the unrecognized future pension and OPEB costs resulting from actuarial gains and losses on defined benefit and OPEB plans. We will amortize this regulatory liability into net periodic benefit cost over the average remaining service life of each plan.

(3) Represents the deferral of revenues less the associated cost of sales related to sales to the mines, which were not included in the 2015 rate order. We intend to request that this deferral be applied for the benefit of Wisconsin retail electric customers in a future rate proceeding.

(4) Represents energy costs that will be refunded to customers in the future.

(5) 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.

NOTE 5—PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following utility and non-utility and other assets at December 31:

(in millions)	2017	2016
Utility property, plant, and equipment	$ **23,646.7**	$ 24,185.1
Less: Accumulated depreciation	**7,021.8**	7,609.7
Net	**16,624.9**	16,575.4
CWIP	**508.2**	320.0
Plant to be retired, net	**930.6**	—
Net utility property, plant, and equipment	**18,063.7**	16,895.4
Non-utility and other property, plant, and equipment	**3,797.2**	3,520.3
Less: Accumulated depreciation	**671.3**	604.9
Net	**3,125.9**	2,915.4
CWIP	**157.4**	104.7
Net non-utility and other property, plant, and equipment	**3,283.3**	3,020.1
Total property, plant, and equipment	$ **21,347.0**	$ 19,915.5

Wisconsin Segment Plant to be Retired

We have evaluated future plans for our older and less efficient fossil fuel generating units and have announced the retirement of the plants identified below. The net book value of these plants was classified as plant to be retired within property, plant, and equipment on our balance sheet at December 31, 2017. In addition, severance expense in the amount of $29.4 million was recorded within the Wisconsin segment in 2017 related to these announced plant retirements.

Pleasant Prairie Power Plant

As a result of a MISO ruling in December 2017, Pleasant Prairie must be shut down no later than April 10, 2018. Because we had an obligation at December 31, 2017 to shut down the Pleasant Prairie plant in April 2018, retirement of the plant was probable at December 31, 2017. The net book value of this generating unit was $681.3 million at December 31, 2017. This amount was classified as plant to be retired within property, plant, and equipment on our balance sheet. This unit is included in rate base, and WE continues to depreciate it on a straight-line basis using the composite depreciation rates approved by the

PSCW. The physical dismantlement of the plant will not occur immediately. It may take several years to finalize long-term plans for the site. See Note 21, Commitments and Contingencies, for more information.

Presque Isle Power Plant

In October 2017, the MPSC approved UMERC's application to construct and operate approximately 180 MW of natural gas-fired generation in the Upper Peninsula of Michigan. Upon receiving this approval, retirement of the PIPP generating units became probable. The new units are expected to begin commercial operation in 2019 and should allow for the retirement of PIPP no later than 2020. The net book value of these units was $191.4 million at December 31, 2017. These units are included in rate base, and WE continues to depreciate them on a straight-line basis using the composite depreciation rates approved by the PSCW. The net book value of these assets was transferred from plant in service to plant to be retired. See Note 23, Regulatory Environment, for more information regarding the new natural gas-fired generation.

Pulliam Power Plant

As a result of MISO's ruling that WPS will be able retire the Pulliam generating units when certain transmission lines are completed, expected near the end of 2018, retirement of the Pulliam generating units was probable at December 31, 2017. The net book value of these generating units was $44.9 million at December 31, 2017. This amount was classified as plant to be retired within property, plant, and equipment on our balance sheet. These units are included in rate base, and WPS continues to depreciate them on a straight-line basis using the composite depreciation rates approved by the PSCW. See Note 21, Commitments and Contingencies, for more information.

Edgewater Unit 4

As a result of the continued implementation of the Consent Decree related to the jointly owned Columbia and Edgewater plants, retirement of the Edgewater 4 generating unit was probable at December 31, 2017. WPS anticipates that the plant will be retired by September 30, 2018. The net book value of WPS's ownership share of this generating unit was $13.0 million at December 31, 2017. This amount was classified as plant to be retired within property, plant, and equipment on our balance sheet. This unit is included in rate base, and WPS continues to depreciate it on a straight-line basis using the composite depreciation rates approved by the PSCW. See Note 21, Commitments and Contingencies, for more information regarding the Consent Decree.

NOTE 6—JOINTLY OWNED 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 facilities at December 31, 2017 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]	Edgewater Unit 4 [3]
Ownership	83.34%	70.0%	29.5%	31.8%
Share of rated capacity (MW) [1]	1,056.8	383.9	319.7	98.0
In-service date	2010 and 2011	2008	1975 and 1978	1969
Property, plant, and equipment	$ 2,431.0	$ 600.5	$ 412.7	$ 45.9
Accumulated depreciation	$ (351.2)	$ (189.2)	$ (127.3)	$ (32.9)
CWIP	$ 9.5	$ 5.3	$ 27.6	$ —

(1) Based on expected capacity ratings for summer 2018. 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 (Columbia) is jointly owned by Wisconsin Power and Light (WPL), Madison Gas and Electric (MGE), and WPS. In October 2016, WPL received an order from the PSCW approving amendments to the Columbia joint operating agreement between the parties allowing WPS and MGE to forgo certain capital expenditures at Columbia. As a result, WPL will incur these capital expenditures in exchange for a

proportional increase in its ownership share of Columbia. Based upon the additional capital expenditures WPL expects to incur through June 1, 2020, WPS's ownership interest would decrease to 27.5%.

(3) WPS anticipates that the Edgewater Unit 4 generating unit will be retired by September 30, 2018. See Note 5, Property, Plant, and Equipment, for more information.

NOTE 7—ASSET RETIREMENT OBLIGATIONS

Our utilities have recorded AROs primarily for the removal of natural gas distribution mains and service pipes (including asbestos and polychlorinated biphenyls [PCBs]); asbestos abatement at certain generation and substation facilities, office buildings, and service centers; the removal and dismantlement of 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 by PDL for the removal of solar equipment components. 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)	2017	2016	2015
Balance as of January 1	**$ 557.7**	$ 571.2	$ 43.6
Integrys subsidiaries	**—**	—	491.0
Accretion	**27.5**	28.3	14.5
Additions and revisions to estimated cash flows	**26.5** (1)	—	35.5 (2)
Liabilities settled	**(38.0)**	(41.8)	(13.4)
Balance as of December 31	**$ 573.7**	$ 557.7	$ 571.2

(1) AROs increased $20.5 million in 2017 due to revisions made to estimated cash flows primarily for changes in the weighted average cost to retire natural gas distribution pipe at PGL and NSG. In addition, an ARO of $5.5 million was recorded related to the removal and dismantlement of WE's Rothschild Biomass Plant.

(2) During 2015, an ARO of $16.1 million was recorded for fly-ash landfills located at generation facilities owned by WE and WPS. An ARO of $9.0 million was also recorded during 2015 for the Hazardous and Solid Waste Management System; Disposal of Coal Combustion Residuals from Electric Utilities rule passed by the EPA in April 2015. In addition, AROs increased $10.4 million in 2015 due to revisions made to estimated cash flows primarily for changes in the weighted average cost to retire natural gas distribution pipe at PGL and NSG.

NOTE 8—GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets acquired. The following table shows changes to our goodwill balances by segment during the years ended December 31, 2017 and 2016:

	Wisconsin		Illinois		Other States		Non-Utility Energy Infrastructure		Total	
(in millions)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Goodwill balance as of January 1	**$ 2,104.3**	$ 2,109.5	**$ 758.7**	$ 731.2	**$ 183.2**	$ 182.8	**$ —**	$ —	**$ 3,046.2**	$ 3,023.5
Adjustment to Integrys purchase price allocation	**—**	(5.2)	**—**	27.5	**—**	0.4	**—**	—	**—**	22.7
Acquisition of Bluewater (1)	**—**	—	**—**	—	**—**	—	**7.3**	—	**7.3**	—
Goodwill balance as of December 31 (2)	**$ 2,104.3**	$ 2,104.3	**$ 758.7**	$ 758.7	**$ 183.2**	$ 183.2	**$ 7.3**	$ —	**$ 3,053.5**	$ 3,046.2

(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, 2017.

In the third quarter of 2017, annual impairment tests were completed at all of our reporting units that carried a goodwill balance as of July 1, 2017. No impairments resulted from these tests.

NOTE 9—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)	**2017**	2016	2015
Stock options	**$ 3.4**	$ 3.5	$ 3.3
Restricted stock	**5.4**	5.8	7.0
Performance units	**20.2**	8.7	13.0
Stock-based compensation expense	**$ 29.0**	$ 18.0	$ 23.3
Related tax benefit	**$ 11.6**	$ 7.2	$ 9.3

Stock-based compensation costs capitalized during 2017, 2016, and 2015 were not significant.

Stock Options

The following is a summary of our stock option activity during 2017:

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, 2017	5,122,775	$ 38.95		
Granted	**552,215**	**$ 58.31**		
Exercised	**(1,019,111)**	**$ 30.24**		
Forfeited	**(11,665)**	**$ 56.48**		
Outstanding as of December 31, 2017	**4,644,214**	**$ 43.11**	**6.0**	**$ 108.3**
Exercisable as of December 31, 2017	**3,275,850**	**$ 38.23**	**5.0**	**$ 92.4**

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, 2017. This is calculated as the difference between our closing stock price on December 31, 2017, 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, 2017, 2016, and 2015 was $33.8 million, $55.4 million, and $36.1 million, respectively. The actual tax benefit from option exercises for the same periods was approximately $13.5 million, $22.2 million, and $14.5 million, respectively.

As of December 31, 2017, approximately $2.7 million of unrecognized compensation cost related to unvested and outstanding stock options was expected to be recognized over the next 1.7 years on a weighted-average basis.

During the first quarter of 2018, the Compensation Committee awarded 660,655 non-qualified stock options with a weighted-average exercise price of $66.02 and a weighted-average grant date fair value of $7.84 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 2017:

Restricted Shares	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding as of January 1, 2017	220,046	$ 51.30
Granted	**82,622**	**$ 58.10**
Released	**(91,147)**	**$ 48.98**
Forfeited	**(7,033)**	**$ 55.60**
Outstanding as of December 31, 2017	**204,488**	**$ 54.94**

The intrinsic value of restricted stock released was $5.4 million, $7.7 million, and $3.7 million for the years ended December 31, 2017, 2016, and 2015, respectively. The actual tax benefit from released restricted shares for the same years was $2.1 million, $3.1 million, and $1.3 million, respectively.

As of December 31, 2017, approximately $4.1 million of unrecognized compensation cost related to restricted stock was expected to be recognized over the next 1.5 years on a weighted-average basis.

During the first quarter of 2018, the Compensation Committee awarded 131,731 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 $64.97 per share.

Performance Units

During 2017, 2016, and 2015, the Compensation Committee awarded 237,650; 297,305; and 195,365 performance units, respectively, to officers and other key employees under the WEC Energy Group Performance Unit Plan.

Performance units with an intrinsic value of $6.7 million, $19.1 million, and $13.2 million were settled during 2017, 2016, and 2015, respectively. The actual tax benefit from the distribution of performance units for the same years was $2.1 million, $6.8 million, and $4.8 million, respectively.

At December 31, 2017, we had 563,033 performance units outstanding, including dividend equivalents. A liability of $27.6 million was recorded on our balance sheet at December 31, 2017 related to these outstanding units. As of December 31, 2017, approximately $23.5 million of unrecognized compensation cost related to unvested and outstanding performance units was expected to be recognized over the next 1.4 years on a weighted-average basis.

During the first quarter of 2018, we settled performance units with an intrinsic value of $7.8 million. The actual tax benefit from the distribution of these awards was $1.7 million. In January 2018, the Compensation Committee also awarded 217,560 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 and our non-utility subsidiary, We Power. 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, WG, and WPS 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 levels of 51%, 49.5%, and 51%, respectively. 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 levels.

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.

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

As of December 31, 2017, restricted net assets of our consolidated subsidiaries totaled approximately $6.3 billion. Our equity in undistributed earnings of investees accounted for by the equity method were approximately $355 million. The total of these amounts exceeds 25% of our consolidated net assets as of December 31, 2017.

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 2017, 2016, or 2015, other than for the Integrys acquisition in 2015. See Note 2, Acquisitions, for more information.

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)	2017	2016	2015
Shares purchased	**1.1**	1.8	1.5
Cost of shares purchased	**$ 71.3**	$ 108.0	$ 74.7

Common Stock Dividends

During the year ended December 31, 2017, our Board of Directors declared common stock dividends which are summarized below:

Date Declared	Date Payable	Per Share	Period
January 19, 2017	March 1, 2017	$0.52	First quarter
April 20, 2017	June 1, 2017	$0.52	Second quarter
July 20, 2017	September 1, 2017	$0.52	Third quarter
October 19, 2017	December 1, 2017	$0.52	Fourth quarter

On January 18, 2018, our Board of Directors declared a quarterly cash dividend of $0.5525 per share, which equates to an annual dividend of $2.21 per share. The dividend is payable on March 1, 2018, to shareholders of record on February 14, 2018. In addition, the Board of Directors affirmed our dividend policy that continues to target a dividend payout ratio of 65-70% of earnings.

NOTE 10—PREFERRED STOCK

The following table shows preferred stock authorized and outstanding at December 31, 2017 and 2016:

(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**
$100 par value, Serial Preferred Stock	**2,286,500**			
3.60% Series		**260,000**	**$ 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 11—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)	2017	2016
Commercial paper		
Amount outstanding at December 31	**$ 1,444.6**	$ 860.2
Average interest rate on amounts outstanding at December 31	**1.77%**	0.96%

Our average amount of commercial paper borrowings based on daily outstanding balances during 2017, was $833.8 million with a weighted-average interest rate during the period of 1.34%.

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 minimum total funded debt to capitalization ratio of less than 70.0%, 65.0%, 65.0%, 65.0%, and 65.0%, respectively. As of December 31, 2017, all companies were in compliance with their respective ratio.

As of December 31, 2017, we had $1,347.5 million of available capacity under our bank back-up credit facilities and $1,444.6 million of commercial paper outstanding that was supported by the credit facilities.

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	2017
WEC Energy Group	October 2022	**$ 1,200.0**
WE	October 2022	**500.0**
WPS *	December 2020	**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		**$ 7.9**
Commercial paper outstanding		**1,444.6**
Available capacity under existing agreements		**$ 1,347.5**

* In February 2018, WPS received approval from the PSCW to extend the maturity of its facility to October 2022.

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

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 12—LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

See our statements of capitalization for details on our long-term debt.

WEC Energy Group, Inc.

Effective May 2017, the $500.0 million of 2007 Junior Notes bear interest at the three-month London Interbank Offered Rate (LIBOR) plus 211.25 basis points, and reset quarterly.

Wisconsin Public Service Corporation

In November 2017, WPS's $125.0 million of 5.65% Senior Notes matured, and the outstanding principal was repaid with proceeds WPS received from selling commercial paper.

Minnesota Energy Resources Corporation

In June 2017, MERC issued $120.0 million of senior notes. The senior notes were issued in three tranches: $40.0 million of 3.11% Senior Notes due July 15, 2027; $40.0 million of 3.41% Senior Notes due July 15, 2032; and $40.0 million of 4.01% Senior Notes due July 15, 2047. Net proceeds were used to repay MERC's $78.0 million aggregate long-term debt obligation to its parent, Integrys. Remaining proceeds were used for general corporate purposes, including repayment of short-term debt borrowed from Integrys.

Michigan Gas Utilities Corporation

In June 2017, MGU issued $90.0 million of senior notes. The senior notes were issued in three tranches: $30.0 million of 3.11% Senior Notes due July 15, 2027; $30.0 million of 3.41% Senior Notes due July 15, 2032; and $30.0 million of 4.01% Senior Notes due July 15, 2047. Net proceeds were used to repay MGU's $71.0 million aggregate long-term debt obligation to its parent, Integrys. Remaining proceeds were used for general corporate purposes, including repayment of short-term debt borrowed from Integrys.

The Peoples Gas Light and Coke Company

In November 2017, PGL issued $100.0 million of 3.77% Series EEE Bonds due December 1, 2047. The net proceeds were used for general corporate purposes, including capital expenditures and the refinancing of short-term debt.

Bluewater Gas Storage, LLC

In December 2017, Bluewater Gas Storage, LLC, (BGS), a subsidiary of Bluewater, issued $125.0 million of 3.76% Senior Notes due December 20, 2047. The net proceeds were used to redeem all intercompany debt from WEC Energy Group and for other limited liability company purposes. BGS's long-term debt amortizes on a mortgage-style basis.

During 2018, $2.3 million of BGS's outstanding $125.0 million of 3.76% senior notes will mature. As a result, this balance was included in the current portion of long-term debt on our balance sheet at December 31, 2017.

W.E. Power, LLC

All of We Power's outstanding long-term debt amortizes on a mortgage-style basis.

During 2018, $5.9 million of We Power's outstanding $101.0 million of 4.91% secured notes will mature. As a result, this balance was included in the current portion of long-term debt on our balance sheet at December 31, 2017.

During 2018, $4.9 million of We Power's outstanding $121.5 million of 6.00% secured notes will mature. As a result, this balance was included in the current portion of long-term debt on our balance sheet at December 31, 2017.

During 2018, $11.4 million of We Power's outstanding $194.1 million of 5.209% secured notes will mature. As a result, this balance was included in the current portion of long-term debt on our balance sheet at December 31, 2017.

During 2018, $8.9 million of We Power's outstanding $162.4 million of 4.673% secured notes will mature. As a result, this balance was included in the current portion of long-term debt on our balance sheet at December 31, 2017.

Bonds and Notes

The following table shows the future maturities of our long-term debt outstanding (excluding obligations under capital leases) as of December 31, 2017:

(in millions)	**Payments**
2018	$ 838.4
2019	360.1
2020	686.9
2021	338.8
2022	40.7
Thereafter	7,336.0
Total	$ 9,600.9

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

As of December 31, 2017, WE was the obligor under a series of tax-exempt pollution control refunding bonds with an outstanding principal amount of $80.0 million. In August 2009, WE terminated a letter of credit that provided credit and liquidity support for the bonds, which resulted in a mandatory tender of the bonds. WE purchased the bonds at par plus accrued interest to the date of purchase. As of December 31, 2017, the repurchased bonds were still outstanding, but were not reported in our long-term debt since they were held by WE. Depending on market conditions and other factors, WE may change the method used to determine the interest rate on this bond series and have it remarketed to third parties. A related bond series that had an outstanding principal amount of $67.0 million matured on August 1, 2016.

In connection with our outstanding 2007 Junior Notes, we executed a Replacement Capital Covenant dated May 11, 2007 (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.

In connection with Integrys's outstanding 2006 Junior Notes, Integrys executed a Replacement Capital Covenant dated December 1, 2006, as replaced by a new Replacement Capital Covenant on December 1, 2010 (Integrys RCC) for the benefit of persons that buy, hold, or sell a specified series of its long-term indebtedness (covered debt). Integrys's 4.17% Senior Notes due November 1, 2020, have been designated as the covered debt under the Integrys RCC. The Integrys RCC provides that Integrys may not redeem, defease, or purchase, and that its subsidiaries may not purchase, any 2006 Junior Notes on or before December 1, 2036, unless, subject to certain limitations described in the Integrys RCC, Integrys has received a specified amount of proceeds from the sale of qualifying securities.

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.

Certain long-term debt obligations contain financial and other covenants. Failure to comply with these covenants could result in an event of default, which could result in the acceleration of outstanding debt obligations.

Obligations Under Capital Leases

In 1997, WE entered into a 25-year power purchase contract with an unaffiliated independent power producer. The contract, for 236 MW of firm capacity from a natural gas-fired cogeneration facility, includes zero minimum energy requirements. When the contract expires in 2022, WE may, at its option and with proper notice, renew for another 10 years or purchase the generating facility at fair value or allow the contract to expire. We account for this contract as a capital lease and recorded the leased facility and corresponding obligation under the capital lease at the estimated fair value of the plant's electric generating facilities. We are amortizing the leased facility on a straight-line basis over the original 25-year term of the contract.

We treat the long-term power purchase contract as an operating lease for rate-making purposes and we record our minimum lease payments as cost of sales on our income statements. We paid a total of $7.2 million and $37.6 million in lease payments during 2017 and 2016, respectively. We record the difference between the minimum lease payments and the sum of imputed interest and amortization costs calculated under capital lease accounting 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 approximately $78.5 million during 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 capital lease was $27.0 million as of December 31, 2017, and will decrease to zero over the remaining life of the contract.

The following is a summary of our capitalized leased facilities as of December 31:

(in millions)	2017	2016
Long-term power purchase commitment	**$ 140.3**	$ 140.3
Accumulated amortization	**(115.2)**	(109.5)
Total leased facilities	**$ 25.1**	$ 30.8

Future minimum lease payments under our capital lease and the present value of our net minimum lease payments as of December 31, 2017 are as follows:

(in millions)	Payments
2018	$ 14.7
2019	15.5
2020	16.4
2021	17.2
2022	7.6
Thereafter	—
Total minimum lease payments	71.4
Less: Estimated executory costs	(33.1)
Net minimum lease payments	38.3
Less: Interest	(11.3)
Present value of net minimum lease payments	27.0
Less: Due currently	(3.7)
Long-term obligations under capital lease	**$ 23.3**

NOTE 13—INCOME TAXES

Income Tax Expense

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

(in millions)	2017	2016	2015
Current tax expense	**$ 111.8**	$ 72.7	$ 15.1
Deferred income taxes, net	**274.4**	498.7	420.4
Investment tax credit, net	**(2.7)**	(4.9)	(1.7)
Total income tax expense	**$ 383.5**	$ 566.5	$ 433.8

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:

	2017		2016		2015	
(in millions)	Amount	Effective Tax Rate	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Expected tax at statutory federal tax rates	**$ 555.5**	**35.0 %**	$ 526.4	35.0 %	$ 375.5	35.0 %
State income taxes net of federal tax benefit	**100.8**	**6.4 %**	72.8	4.8 %	73.1	6.8 %
Federal tax reform	**(226.9)**	**(14.3)%**	—	— %	—	— %
Production tax credits	**(16.8)**	**(1.1)%**	(15.7)	(1.1)%	(17.4)	(1.6)%
AFUDC – Equity	**(4.0)**	**(0.3)%**	(8.8)	(0.6)%	(7.1)	(0.7)%
Investment tax credit restored	**(2.7)**	**(0.2)%**	(4.9)	(0.3)%	(1.7)	(0.2)%
Other, net	**(22.4)**	**(1.4)%**	(3.3)	(0.2)%	11.4	1.1 %
Total income tax expense	**$ 383.5**	**24.1 %**	$ 566.5	37.6 %	$ 433.8	40.4 %

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 reduces the corporate federal tax rate from a maximum of 35% to a 21% rate effective January 1, 2018. We estimated a preliminary tax benefit related to the re-measurement of our deferred taxes in the amount of approximately $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 federal 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 is primarily due to a re-measurement of deferred tax assets and liabilities. Our revaluation of our deferred tax assets and liabilities is subject to further clarification of the new law that cannot be estimated at this time. The impact of the Tax Legislation could materially differ from this estimate due to, among other things, changes in interpretations and assumptions we have made.

On December 22, 2017, the SEC staff issued guidance in Staff Accounting Bulletin 118 (SAB 118), Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which provides 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 are to be considered "provisional" as discussed in SAB 118 and subject to revision. We are awaiting additional guidance from industry and income tax authorities in order to finalize our accounting.

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

(in millions)	2017	2016
Deferred tax assets		
Tax gross up – regulatory items	**$ 585.8**	$ —
Future tax benefits	**303.9**	430.4
Employee benefits and compensation	**164.2**	222.0
Deferred revenues	**128.8**	207.2
Property-related	**24.4**	54.5
Other	**185.0**	230.6
Total deferred tax assets	**1,392.1**	1,144.7
Valuation allowance	**(15.7)**	(15.0)
Net deferred tax assets	**$ 1,376.4**	$ 1,129.7
Deferred tax liabilities		
Property-related	**$ 3,464.6**	$ 4,979.3
Investment in transmission affiliate	**321.2**	476.9
Employee benefits and compensation	**285.8**	401.6
Deferred transmission costs	**60.1**	93.1
Other	**244.5**	325.4
Total deferred tax liabilities	**4,376.2**	6,276.3
Deferred tax liability, net	**$ 2,999.8**	$ 5,146.6

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, 2017 and 2016 are summarized in the tables below:

2017 ***(in millions)***	Gross Value	Deferred Tax Effect	Valuation Allowance	Earliest Year of Expiration
Future tax benefits as of December 31, 2017				
Federal foreign tax credit	**$ —**	**$ 13.5**	**$ (13.5)**	**2018**
Other federal tax credit	**—**	**259.6**	**(0.1)**	**2025**
Charitable contribution and capital loss	**21.7**	**8.6**	**(2.1)**	**2017**
State net operating loss	**282.7**	**17.2**	**—**	**2025**
State tax credit	**—**	**5.0**	**—**	**2017**
Balance as of December 31, 2017	**$ 304.4**	**$ 303.9**	**$ (15.7)**	

2016 *(in millions)*	Gross Value		Deferred Tax Effect		Valuation Allowance		Earliest Year of Expiration
Future tax benefits as of December 31, 2016							
Federal net operating loss	$	407.6	$	142.7	$	—	2031
Federal foreign tax credit		—		13.5		(13.5)	2017
Other federal tax credit		—		241.1		—	2025
Charitable contribution		9.4		4.0		(1.5)	2016
State net operating loss		482.6		24.3		—	2024
State tax credit		—		4.8		—	2016
Balance as of December 31, 2016	$	899.6	$	430.4	$	(15.0)	

Valuation allowances of $15.7 million have been established for certain tax benefit carryforwards obtained in the Integrys acquisition based on our projected ability to realize such benefits by offsetting future tax liabilities. This is primarily the result of bonus depreciation. Realization is dependent on generating sufficient tax liabilities prior to expiration of the tax benefit carryforwards.

Unrecognized Tax Benefits

We previously adopted accounting guidance related to uncertainty in income taxes. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions)	2017		2016	
Balance as of January 1	**$**	**14.5**	$	9.5
Additions for tax positions of prior years		**7.9**		6.7
Additions based on tax positions related to the current year		**0.5**		1.1
Reductions for tax positions of prior years		**(5.6)**		(1.0)
Reductions due to statute of limitations		**—**		(1.8)
Balance as of December 31	**$**	**17.3**	$	14.5

The amount of unrecognized tax benefits as of December 31, 2017 and 2016, excludes deferred tax assets related to uncertainty in income taxes of $2.1 million and $6.6 million, respectively. As of December 31, 2017 and 2016, the net amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate for continuing operations was $15.2 million and $7.9 million, respectively.

We recognize interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. For the years ended December 31, 2017, 2016, and 2015, we recognized $0.6 million of interest income, $0.2 million of interest expense, and zero interest, respectively, in our income statements. For the years ended December 31, 2017, 2016, and 2015, we recognized no penalties in our income statements. For the year ended December 31, 2017, we had $0.2 million of interest accrued and no penalties accrued on our balance sheets. For the year ended December 31, 2016, we had $0.8 million of interest accrued and no penalties accrued on our balance sheets.

We do not anticipate any significant increases or decreases 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, 2017, we were subject to examination by state or local tax authorities for the 2013 through 2017 tax years in our major state operating jurisdictions as follows:

Jurisdiction	Years
Federal	2014–2017
Illinois	2013–2017
Michigan	2013–2017
Minnesota	2014–2017
Wisconsin	2013–2017

NOTE 14—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, 2017			
(in millions)	Level 1	Level 2	Level 3	Total
Derivative assets				
Natural gas contracts	**$ 1.8**	**$ 3.9**	**$ —**	**$ 5.7**
Petroleum products contracts	**1.2**	**—**	**—**	**1.2**
FTRs	**—**	**—**	**4.4**	**4.4**
Coal contracts	**—**	**1.1**	**—**	**1.1**
Total derivative assets	**$ 3.0**	**$ 5.0**	**$ 4.4**	**$ 12.4**
Investments held in rabbi trust	**$ 120.7**	**$ —**	**$ —**	**$ 120.7**
Derivative liabilities				
Natural gas contracts	**$ 7.0**	**$ 3.8**	**$ —**	**$ 10.8**
Coal contracts	**—**	**0.8**	**—**	**0.8**
Total derivative liabilities	**$ 7.0**	**$ 4.6**	**$ —**	**$ 11.6**

	December 31, 2016			
(in millions)	Level 1	Level 2	Level 3	Total
Derivative assets				
Natural gas contracts	$ 10.1	$ 24.2	$ —	$ 34.3
Petroleum products contracts	0.2	—	—	0.2
FTRs	—	—	5.1	5.1
Coal contracts	—	2.0	—	2.0
Total derivative assets	$ 10.3	$ 26.2	$ 5.1	$ 41.6
Investments held in rabbi trust	$ 103.9	$ —	$ —	$ 103.9
Derivative liabilities				
Natural gas contracts	$ 0.2	$ 0.2	$ —	$ 0.4
Petroleum products contracts	0.1	—	—	0.1
Coal contracts	—	1.9	—	1.9
Total derivative liabilities	$ 0.3	$ 2.1	$ —	$ 2.4

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. They also include FTRs, which are used to manage electric transmission congestion costs in the MISO Energy Markets. See Note 15, Derivative Instruments, for more information.

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

(in millions)	2017	2016	2015
Balance at the beginning of the period	**$ 5.1**	$ 3.6	$ 7.0
Realized and unrealized (losses) gains	**—**	(0.2)	1.3
Purchases	**13.8**	15.2	3.9
Sales	**—**	(0.2)	(0.1)
Settlements	**(14.5)**	(13.3)	(11.9)
Acquisition of Integrys	**—**	—	(1.3)
Transfers out of level 3	**—**	—	4.7
Balance at the end of the period	**$ 4.4**	$ 5.1	$ 3.6

Unrealized gains and losses on Level 3 derivatives are deferred as regulatory assets or liabilities. Therefore, these fair value measurements have no impact on earnings. Realized gains and losses on these instruments flow through cost of sales on the income statements.

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:

(in millions)	2017 Carrying Amount	2017 Fair Value	2016 Carrying Amount	2016 Fair Value
Preferred stock	**$ 30.4**	**$ 30.5**	$ 30.4	$ 28.8
Long-term debt, including current portion *	**9,561.7**	**10,341.9**	9,285.8	9,818.2

* The carrying amount of long-term debt excludes capital lease obligations of $27.0 million and $29.6 million at December 31, 2017 and December 31, 2016, respectively.

NOTE 15—DERIVATIVE INSTRUMENTS

The following table shows our derivative assets and derivative liabilities:

(in millions)	December 31, 2017 Derivative Assets	December 31, 2017 Derivative Liabilities	December 31, 2016 Derivative Assets	December 31, 2016 Derivative Liabilities
Other current				
Natural gas contracts	**$ 5.6**	**$ 9.4**	$ 31.4	$ 0.4
Petroleum products contracts	**1.2**	**—**	0.2	0.1
FTRs	**4.4**	**—**	5.1	—
Coal contracts	**0.6**	**0.6**	1.5	1.4
Total other current	**$ 11.8**	**$ 10.0**	$ 38.2	$ 1.9
Other long-term				
Natural gas contracts	**$ 0.1**	**$ 1.4**	$ 2.9	$ —
Coal contracts	**0.5**	**0.2**	0.5	0.5
Total other long-term	**$ 0.6**	**$ 1.6**	$ 3.4	$ 0.5
Total	**$ 12.4**	**$ 11.6**	$ 41.6	$ 2.4

Our estimated notional sales volumes and realized gains (losses) were as follows for the years ended:

(in millions)	December 31, 2017 Volume	December 31, 2017 Gains (Losses)	December 31, 2016 Volume	December 31, 2016 Gains (Losses)	December 31, 2015 Volume	December 31, 2015 Gains (losses)
Natural gas contracts	123.1 Dth	**$ (8.0)**	151.1 Dth	$ (59.6)	86.2 Dth	$ (50.5)
Petroleum products contracts	18.0 gallons	**(1.3)**	14.7 gallons	(3.2)	7.8 gallons	(1.9)
FTRs	36.2 MWh	**14.0**	33.7 MWh	13.3	27.3 MWh	6.7
Total		**$ 4.7**		$ (49.5)		$ (45.7)

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

(in millions)	December 31, 2017 Derivative Assets	December 31, 2017 Derivative Liabilities	December 31, 2016 Derivative Assets	December 31, 2016 Derivative Liabilities
Gross amount recognized on the balance sheet	**$ 12.4**	**$ 11.6**	$ 41.6	$ 2.4
Gross amount not offset on the balance sheet	**(4.9)**	**(9.0)** [1]	(4.9) [2]	(0.5)
Net amount	**$ 7.5**	**$ 2.6**	$ 36.7	$ 1.9

[1] Includes cash collateral posted of $4.1 million.

[2] Includes cash collateral received of $4.4 million.

At December 31, 2017 and 2016, we had posted cash collateral of $16.2 million and $16.4 million, respectively, in our margin accounts. At December 31, 2016, we had also received cash collateral of $4.4 million in our margin accounts. Certain of our derivative and non-derivative commodity instruments contain provisions that could require "adequate assurance" in the event of a material change in our creditworthiness, or the posting of additional collateral for instruments in net liability positions, if triggered by a decrease in credit ratings. The aggregate fair value of all derivative instruments with specific credit risk-related contingent features that were in a net liability position at December 31, 2017 and 2016 was $3.7 million and $0.2 million, respectively. At December 31, 2017 and 2016, we had not posted any cash collateral related to the credit risk-related contingent features of these commodity instruments. If all of the credit risk-related contingent features contained in derivative instruments in a net liability position had been triggered at December 31, 2017, we would have been required to post collateral of $2.7 million. At December 31, 2016, we would not have been required to post any collateral.

During 2015, we settled several forward interest rate swap agreements entered into to mitigate interest rate risk associated with the issuance of $1.2 billion of long-term debt related to the acquisition of Integrys. As these agreements qualified for cash flow hedge accounting treatment, the proceeds of $19.0 million received upon settlement were deferred in accumulated other comprehensive income and are being amortized as a decrease to interest expense over the periods in which the interest costs are recognized in earnings.

For the years ended December 31, 2017, 2016, and 2015, we reclassified $2.2 million, $2.2 million, and $1.2 million, respectively, of forward interest rate swap agreement settlements deferred in accumulated other comprehensive income as a reduction to interest expense. We estimate that during the next twelve months, $2.2 million will be reclassified from accumulated other comprehensive income as a reduction to interest expense.

NOTE 16—GUARANTEES

The following table shows our outstanding guarantees:

		Expiration		
(in millions)	**Total Amounts Committed at December 31, 2017**	**Less Than 1 Year**	**1 to 3 Years**	**Over 3 Years**
Guarantees				
Guarantees supporting commodity transactions of subsidiaries [1]	**$ 8.1**	$ 8.1	$ —	$ —
Standby letters of credit [2]	**55.1**	54.7	0.4	—
Surety bonds [3]	**9.7**	9.7	—	—
Other guarantees [4]	**10.9**	0.5	—	10.4
Total guarantees	**$ 83.8**	$ 73.0	$ 0.4	$ 10.4

(1) Consists of $8.1 million to support the business operations of Bluewater.

(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 $10.9 million related to other indemnifications, for which a liability of $10.4 million related to workers compensation coverage was recorded on our balance sheets.

NOTE 17—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 receive a 6% 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 Costs				OPEB Costs			
(in millions)	2017		2016		2017		2016	
Change in benefit obligation								
Obligation at January 1	**$**	**3,058.8**	$	3,083.0	**$**	**818.4**	$	842.0
Service cost		**44.6**		45.4		**24.1**		26.1
Interest cost		**121.8**		130.8		**32.9**		37.0
Participant contributions		**—**		—		**13.4**		16.4
Plan amendments		**—**		(3.0)		**(36.4)**		(18.9)
Actuarial loss (gain)		**162.6**		71.7		**12.9**		(36.5)
Benefit payments		**(224.1)**		(269.1)		**(48.8)**		(49.1)
Federal subsidy on benefits paid		**N/A**		N/A		**2.0**		1.4
Obligation at December 31	**$**	**3,163.7**	$	3,058.8	**$**	**818.5**	$	818.4
Change in fair value of plan assets								
Fair value at January 1	**$**	**2,709.2**	$	2,755.1	**$**	**773.5**	$	749.8
Actual return on plan assets		**368.7**		199.4		**95.9**		51.5
Employer contributions		**113.0**		23.8		**7.5**		4.9
Participant contributions		**—**		—		**13.4**		16.4
Benefit payments		**(224.1)**		(269.1)		**(48.8)**		(49.1)
Fair value at December 31	**$**	**2,966.8**	$	2,709.2	**$**	**841.5**	$	773.5
Funded status at December 31	**$**	**(196.9)**	$	(349.6)	**$**	**23.0**	$	(44.9)

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

	Pension Costs				OPEB Costs			
(in millions)	2017		2016		2017		2016	
Other long-term assets	**$**	**143.0**	$	74.4	**$**	**80.5**	$	29.7
Pension and OPEB obligations		**339.9**		424.0		**57.5**		74.6
Total net (liabilities) assets	**$**	**(196.9)**	$	(349.6)	**$**	**23.0**	$	(44.9)

The accumulated benefit obligation for all defined benefit pension plans was $3,057.7 million and $2,939.9 million as of December 31, 2017 and 2016, 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)	2017		2016	
Projected benefit obligation	**$**	**679.5**	$	1,667.0
Accumulated benefit obligation		**630.3**		1,549.5
Fair value of plan assets		**339.6**		1,242.9

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

	Pension Costs				OPEB Costs			
(in millions)	2017		2016		2017		2016	
Accumulated other comprehensive loss (pre-tax) (1)								
Net actuarial loss (gain)	**$**	**10.0**	$	12.0	**$**	**(1.0)**	$	(1.0)
Prior service credits		**—**		—		**(0.1)**		—
Total	**$**	**10.0**	$	12.0	**$**	**(1.1)**	$	(1.0)
Net regulatory assets (2)								
Net actuarial loss (gain)	**$**	**1,136.8**	$	1,240.7	**$**	**(4.7)**	$	25.8
Prior service costs (credits)		**7.5**		10.5		**(111.8)**		(87.9)
Total	**$**	**1,144.3**	$	1,251.2	**$**	**(116.5)**	$	(62.1)

(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 2018:

(in millions)	Pension Costs	OPEB Costs
Net actuarial loss	$ 92.5	$ 1.3
Prior service costs (credits)	2.6	(15.3)
Total 2018 – estimated amortization	$ 95.1	$ (14.0)

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

	Pension Costs			OPEB Costs		
(in millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Service cost	**$ 44.6**	$ 45.4	$ 30.4	**$ 24.1**	$ 26.1	$ 20.7
Interest cost	**121.8**	130.8	94.3	**32.9**	37.0	26.7
Expected return on plan assets	**(195.7)**	(195.9)	(155.6)	**(55.5)**	(52.7)	(39.6)
Plan settlement	**9.0**	16.5	—	**—**	—	—
Plan curtailment	**—**	—	(0.3)	**—**	—	—
Amortization of prior service cost (credit)	**2.9**	3.4	2.2	**(12.3)**	(9.4)	(6.4)
Amortization of net actuarial loss	**86.1**	82.9	68.5	**3.1**	8.5	3.9
Net periodic benefit cost (credit)	**$ 68.7**	$ 83.1	$ 39.5	**$ (7.7)**	$ 9.5	$ 5.3

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

	Pension		OPEB	
	2017	**2016**	**2017**	**2016**
Discount rate	**3.66%**	4.16%	**3.63%**	4.14%
Rate of compensation increase	**3.61%**	3.60%	**N/A**	N/A
Assumed medical cost trend rate (Pre 65)	**N/A**	N/A	**6.50%**	7.00%
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	**2024**	2021
Assumed medical cost trend rate (Post 65)	**N/A**	N/A	**6.09%**	7.00%
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**	2021

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 Costs		
	2017	**2016**	**2015**
Discount rate	**4.11%**	4.35%	4.11%
Expected return on plan assets	**7.11%**	7.12%	7.37%
Rate of compensation increase	**3.60%**	3.75%	4.00%

	OPEB Costs		
	2017	**2016**	**2015**
Discount rate	**4.04%**	4.38%	4.09%
Expected return on plan assets	**7.25%**	7.25%	7.54%
Assumed medical cost trend rate (Pre 65/Post 65)	**7.00%**	7.50%	7.50%
Ultimate trend rate	**5.00%**	5.00%	5.00%
Year ultimate trend rate is reached	**2021**	2021	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 2018, the expected return on assets assumption is 7.12% for the pension plans and 7.25% 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, 2017, 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	$ 8.0	$ (6.4)
Effect on health care component of the accumulated postretirement benefit obligations	76.2	(62.5)

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 legacy Wisconsin Energy Corporation OPEB trusts' target asset allocations are 60% equity investments and 40% fixed income investments. The two largest legacy OPEB trusts for Integrys have target asset allocations of 45% equity investments and 55% fixed income, and 50% equity investments and 50% fixed income, respectively. Equity securities include investments in large-cap, mid-cap, and small-cap companies primarily located in the United States. 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, 2017							
	Pension Plan Assets				OPEB Assets			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Class								
Cash and cash equivalents	**$ —**	**$ 53.6**	**$ —**	**$ 53.6**	**$ 19.6**	**$ 2.3**	**$ —**	**$ 21.9**
Equity securities:								
United States Equity	**345.0**	**0.1**	**—**	**345.1**	**101.0**	**—**	**—**	**101.0**
International Equity	**352.1**	**—**	**0.8**	**352.9**	**115.3**	**—**	**0.2**	**115.5**
Fixed income securities: *								
United States Bonds	**138.6**	**892.9**	**—**	**1,031.5**	**121.0**	**148.1**	**—**	**269.1**
International Bonds	**17.8**	**86.8**	**—**	**104.6**	**7.2**	**9.1**	**—**	**16.3**
Private Equity and Real Estate	**—**	**154.1**	**100.1**	**254.2**	**—**	**6.6**	**7.7**	**14.3**
	$ 853.5	**$ 1,187.5**	**$ 100.9**	**$ 2,141.9**	**$ 364.1**	**$ 166.1**	**$ 7.9**	**$ 538.1**
Investments measured at net asset value				**$ 824.9**				**$ 303.4**
Total	**$ 853.5**	**$ 1,187.5**	**$ 100.9**	**$ 2,966.8**	**$ 364.1**	**$ 166.1**	**$ 7.9**	**$ 841.5**

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

(in millions)	December 31, 2016							
	Pension Plan Assets				OPEB Assets			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Class								
Cash and cash equivalents	$ 3.7	$ 58.0	$ —	$ 61.7	$ 28.8	$ 3.4	$ —	$ 32.2
Equity securities:								
United States Equity	273.9	0.1	—	274.0	34.3	—	—	34.3
International Equity	54.1	0.6	—	54.7	3.5	0.2	—	3.7
Fixed income securities: *								
United States Bonds	—	861.3	0.8	862.1	—	137.9	—	137.9
International Bonds	—	75.9	—	75.9	—	8.8	—	8.8
Private Equity and Real Estate	—	—	14.6	14.6	—	—	1.3	1.3
	$ 331.7	$ 995.9	$ 15.4	$ 1,343.0	$ 66.6	$ 150.3	$ 1.3	$ 218.2
Investments measured at net asset value				$ 1,366.2				$ 555.3
Total	$ 331.7	$ 995.9	$ 15.4	$ 2,709.2	$ 66.6	$ 150.3	$ 1.3	$ 773.5

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

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

(in millions)	Private Equity and Real Estate		International Equity		U.S. Bonds
	Pension	OPEB	Pension	OPEB	Pension
Beginning balance at January 1, 2017	**$ 14.6**	**$ 1.3**	**$ —**	**$ —**	**$ 0.8**
Realized and unrealized gains (losses)	**2.8**	**0.3**	**(0.2)**	**—**	**(0.8)**
Purchases	**55.5**	**3.6**	**1.0**	**0.2**	**—**
Transfers into level 3	**27.2**	**2.5**	**—**	**—**	**—**
Ending balance at December 31, 2017	**$ 100.1**	**$ 7.7**	**$ 0.8**	**$ 0.2**	**$ —**

(in millions)	Private Equity and Real Estate		U.S. Bonds
	Pension	OPEB	Pension
Beginning balance at January 1, 2016	$ 5.5	$ 0.4	$ —
Realized and unrealized gains	0.5	0.1	—
Purchases	8.6	0.8	0.8
Ending balance at December 31, 2016	$ 14.6	$ 1.3	$ 0.8

Cash Flows

We expect to contribute $12.2 million to the pension plans and $0.9 million to the OPEB plans in 2018, dependent upon various factors affecting us, including our liquidity position and the effects of the new Tax Legislation.

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

(in millions)	Pension Costs	OPEB Costs
2018	$ 234.3	$ 44.2
2019	233.4	46.3
2020	236.3	46.6
2021	233.4	48.1
2022	220.3	49.4
2023-2027	1,026.8	258.2

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. Certain employees participate in a defined contribution pension plan, 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 $47.9 million, $44.3 million, and $48.0 million in 2017, 2016, and 2015, respectively.

NOTE 18—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 an eleven-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 less than 10% of the voting control. The following tables provide a reconciliation of the changes in our investments in ATC and ATC Holdco:

	2017		
(in millions)	**ATC**	**ATC Holdco**	**Total**
Balance at January 1	**$ 1,443.9**	**$ —**	**$ 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** *	**—**	**154.2**
Less: Other	**0.2**	**—**	**0.2**
Balance at December 31	**$ 1,515.8**	**$ 37.6**	**$ 1,553.4**

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

	ATC	
(in millions)	**2016**	**2015**
Balance at January 1	$ 1,380.9	$ 424.1
Add: Earnings from equity method investment	146.5	96.1
Add: Capital contributions	42.3	8.7
Add: Acquisition of Integrys's investment in ATC	(1.0)	541.5
Add: Equity method goodwill from the acquisition of Integrys (1)	10.4	395.8
Less: Distributions	135.1 (2)	85.1
Less: Other	0.1	0.2
Balance at December 31	$ 1,443.9	$ 1,380.9

(1) Represents the purchase price allocated to Integrys's investment in ATC in excess of the recorded value.

(2) Of this amount, $35.2 million was recorded as a receivable from ATC in other current assets at December 31, 2016.

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)	**2017**	**2016**	**2015**
Charges to ATC for services and construction	**$ 17.1**	$ 18.5	$ 15.4
Charges from ATC for network transmission services	**349.3**	357.3	289.2
Refund from ATC per FERC ROE order	**(28.3)**	—	—

As of December 31, 2017 and 2016, our balance sheets included the following receivables and payables related to ATC:

(in millions)	**2017**	**2016**
Accounts receivable		
Services provided to ATC	**$ 1.5**	$ 2.2
Other current assets		
Dividends receivable from ATC	**39.9**	35.2
Accounts payable		
Services received from ATC	**31.2**	28.7

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

(in millions)	2017	2016	2015
Income statement data			
Revenues	**$ 721.7**	$ 650.8	$ 615.8
Operating expenses	**345.0**	322.5	319.3
Other expense	**104.1**	95.5	96.1
Net income	**$ 272.6**	$ 232.8	$ 200.4

(in millions)	December 31, 2017	December 31, 2016
Balance sheet data		
Current assets	**$ 87.7**	$ 75.8
Noncurrent assets	**4,598.9**	4,312.9
Total assets	**$ 4,686.6**	$ 4,388.7
Current liabilities	**$ 767.2**	$ 495.1
Long-term debt	**1,790.6**	1,865.3
Other noncurrent liabilities	**240.3**	271.5
Shareholders' equity	**1,888.5**	1,756.8
Total liabilities and shareholders' equity	**$ 4,686.6**	$ 4,388.7

NOTE 19—SEGMENT INFORMATION

At December 31, 2017, we reported six segments, which are described below.

- The Wisconsin segment includes the electric and natural gas utility operations of WE, WG, WPS, 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, electric transmission company regulated by the FERC and certain state regulatory commissions.
- Following the acquisition of Bluewater, our We Power segment was renamed the non-utility energy infrastructure segment. This segment includes We Power, which owns and leases generating facilities to WE, and Bluewater, which owns underground natural gas storage facilities in Michigan. See Note 2, Acquisitions, for more information on the Bluewater transaction.
- 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, PDL, and ITF. In the first quarter of 2017, we sold substantially all of the remaining assets of Bostco and in the second quarter of 2016, we sold certain assets of Wisvest. The sale of ITF was completed in the first quarter of 2016. 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, 2017, 2016, and 2015.

2017 *(in millions)*	Utility Operations 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	**1,912.5**	**471.1**	**101.3**	**2,484.9**	**—**	**7.3**	**(4.1)**	**(441.1)**	**2,047.0**
Depreciation and amortization	**523.9**	**152.6**	**24.8**	**701.3**	**—**	**71.4**	**25.9**	**—**	**798.6**
Operating income (loss)	**1,065.9**	**273.0**	**54.2**	**1,393.1**	**—**	**400.5**	**(8.4)**	**—**	**1,785.2**
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.

2016 *(in millions)*	Utility Operations Wisconsin	Illinois	Other States	Total Utility Operations	Electric Transmission	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
External revenues	$ 5,805.4	$1,242.2	$ 376.5	$ 7,424.1	$ —	$ 24.9	$ 23.3	$ —	$ 7,472.3
Intersegment revenues	0.3	—	—	0.3	—	423.3	—	(423.6)	—
Other operation and maintenance	2,025.4	485.1	110.1	2,620.6	—	4.3	(15.8)	(423.6)	2,185.5
Depreciation and amortization	496.6	134.0	21.1	651.7	—	68.3	42.6	—	762.6
Operating income (loss)	1,027.0	239.6	49.9	1,316.5	—	375.6	(10.0)	—	1,682.1
Equity in earnings of transmission affiliates	—	—	—	—	146.5	—	—	—	146.5
Interest expense	180.9	38.9	8.5	228.3	—	62.1	120.9	(8.6)	402.7
Capital expenditures	910.9	293.2	59.5	1,263.6	—	62.3	97.8	—	1,423.7
Total assets *	21,730.7	5,714.6	995.1	28,440.4	1,476.9	2,777.1	778.0	(3,349.2)	30,123.2

* Total assets at December 31, 2016 reflect an elimination of $2,029.5 million for all lease activity between We Power and WE.

2015 *(in millions)*	Utility Operations: Wisconsin	Illinois	Other States	Total Utility Operations	Electric Transmission	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
External revenues	$ 5,186.1	$ 503.4	$ 149.3	$ 5,838.8	$ —	$ 40.0	$ 47.3	$ —	$ 5,926.1
Intersegment revenues	5.0	—	—	5.0	—	405.2	—	(410.2)	—
Other operation and maintenance	1,741.0	219.6	50.0	2,010.6	—	4.3	103.7	(409.3)	1,709.3
Depreciation and amortization	408.6	63.3	10.0	481.9	—	67.5	12.4	—	561.8
Operating income (loss)	884.2	78.1	6.0	968.3	—	373.4	(91.2)	—	1,250.5
Equity in earnings of transmission affiliates	—	—	—	—	96.1	—	—	—	96.1
Interest expense	157.1	19.9	5.1	182.1	—	63.4	91.0	(5.1)	331.4
Capital expenditures	950.3	194.4	34.7	1,179.4	—	53.4	33.4	—	1,266.2
Total assets *	21,113.5	5,462.9	918.0	27,494.4	1,381.0	2,779.0	1,132.5	(3,431.7)	29,355.2

* Total assets at December 31, 2015 reflect an elimination of $2,105.3 million for all lease activity between We Power and WE.

NOTE 20—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 that 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. We account for ATC as an equity method investment. The significant assets and liabilities related to ATC recorded on our balance sheets were our equity investment, distributions receivable, and accounts payable. At December 31, 2017 and 2016, our equity investment was $1,515.8 million and $1,443.9 million, respectively, which approximates our maximum exposure to loss as a result of our involvement with ATC. In addition, we had receivables of $39.9 million and $35.2 million recorded at December 31, 2017 and 2016, respectively, for distributions from ATC. We also had $31.2 million and $28.7 million of accounts payable due to ATC at December 31, 2017 and 2016, respectively, for network transmission services.

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 that 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. We account for ATC Holdco as an equity method investment. The only significant asset or liability related to ATC Holdco recorded on our balance sheets was our equity investment of $37.6 million at December 31, 2017. This amount approximates our maximum exposure to loss as a result of our involvement with ATC Holdco.

See Note 18, Investment in Transmission Affiliates, for more information.

Purchased Power Agreement

We have a purchased power agreement that represents a variable interest. This agreement is for 236 MW of firm capacity from a natural gas-fired cogeneration facility, and we account for it as a capital lease. The agreement includes no minimum energy requirements over the remaining term of approximately four 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 purchased power agreement.

We have approximately $71.4 million of required payments over the remaining term of this agreement. We believe that the required lease payments under this contract will continue to be recoverable in rates. Total capacity and lease payments under this contract for the years ended December 31, 2017, 2016, and 2015, were $18.0 million, $54.2 million, and $53.6 million, respectively. Our maximum exposure to loss is limited to the capacity payments under the contract.

NOTE 21—COMMITMENTS AND CONTINGENCIES

We and our subsidiaries have significant commitments and contingencies arising from our operations, including those related to unconditional purchase obligations, operating leases, 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.

The following table shows our minimum future commitments related to these purchase obligations as of December 31, 2017, including those of our subsidiaries.

(in millions)	Date Contracts Extend Through	Total Amounts Committed	Payments Due By Period 2018	2019	2020	2021	2022	Later Years
Electric utility:								
Nuclear	2033	$ 9,184.5	$ 420.1	$ 445.4	$ 475.1	$ 501.1	$ 531.2	$ 6,811.6
Purchased power	2027	645.3	109.3	73.5	72.8	68.9	62.1	258.7
Coal supply and transportation	2024	341.2	223.3	72.0	38.8	2.1	2.1	2.9
Natural gas utility supply and transportation	2043	1,469.9	331.5	` 294.6	219.2	123.3	78.9	422.4
Total		$ 11,640.9	$ 1,084.2	$ 885.5	$ 805.9	$ 695.4	$ 674.3	$ 7,495.6

Operating Leases

We lease property, plant, and equipment under various terms. The operating leases generally require us to pay property taxes, insurance premiums, and maintenance costs associated with the leased property. Many of our leases contain one of the following options upon the end of the lease term: (a) purchase the property at the current fair market value, or (b) exercise a renewal option, as set forth in the lease agreement.

Rental expense attributable to operating leases was $13.2 million, $15.1 million, and $12.7 million in 2017, 2016, and 2015, respectively.

Future minimum payments under noncancelable operating leases are payable as follows:

Year Ending December 31	Payments *(in millions)*
2018	$ 9.5
2019	9.2
2020	7.6
2021	7.2
2022	7.5
Later years	74.1
Total	$ 115.1

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; disposal 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 old 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

Sulfur Dioxide National Ambient Air Quality Standards – The EPA issued a revised 1-Hour SO_2 NAAQS that became effective in August 2010. The EPA issued a final rule in August 2015 describing the implementation requirements and established a compliance timeline for the revised standard. The final rule affords state agencies some latitude in rule implementation. A nonattainment designation could have negative impacts for a localized geographic area, including additional permitting requirements for new or existing sources in the area. In June 2016, we provided modeling to the WDNR that shows the area around the Weston power plant, located in Marathon County, Wisconsin, to be in compliance. In December 2017, the EPA finalized the designation, and Marathon County has been designated attainment. The EPA designated Marquette County, Michigan, where PIPP is located, as unclassified/attainment, effective September 1, 2016. We continue to believe that our fleet overall is well positioned to meet the regulation and do not expect to incur significant costs to comply with this regulation.

8-Hour Ozone 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. In December 2017, the EPA designated all the counties along Wisconsin's Lake Michigan shoreline, except Brown, Kewaunee, Marinette, and Oconto Counties, as either partial or full nonattainment. Waukesha and Washington counties were also included due to the counties being in the Milwaukee combined statistical area. For nonattainment areas, the state of Wisconsin will have to develop a state implementation plan to bring the areas back into attainment. We will be required to comply with this state implementation plan no earlier than 2020. Although we will not know the potential impacts for complying with the 2015 ozone NAAQS until the designations are final, which is expected from the EPA in April 2018, and until the state prepares a draft attainment plan, 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.

Climate Change – In 2015, the EPA issued a final rule regulating GHG emissions from existing generating units, referred to as the Clean Power Plan, a proposed federal plan and model trading rules as alternatives or guides to state compliance plans, and final performance standards for modified and reconstructed generating units and new fossil-fueled power plants. In October 2015, following publication of the CPP, numerous states (including Wisconsin and Michigan) and other parties, filed lawsuits challenging the final rule, including a request to stay the implementation of the final rule pending the outcome of these legal challenges. The D.C. Circuit Court of Appeals denied the stay request, but in February 2016, the Supreme Court stayed the effectiveness of the CPP until disposition of the litigation in the D.C. Circuit Court of Appeals and to the extent that further appellate review is sought, at the Supreme Court. The D.C. Circuit Court of Appeals heard one case in September 2016, and the other case is still pending. In April 2017, pursuant to motions made by the EPA, the D.C. Circuit Court of Appeals ordered the cases to be held in abeyance. Supplemental briefs were provided addressing whether the cases should be remanded to the EPA rather than held in abeyance. The EPA argued that the cases should continue to be held in abeyance pending the conclusion of the EPA's review of the CPP and any resulting rulemaking.

The CPP seeks to achieve state-specific GHG emission reduction goals by 2030, and would have required states to submit plans by September 2016. The goal of the final rule is to reduce nationwide GHG emissions by 32% from 2005 levels. The rule is seeking GHG emission reductions in Wisconsin and Michigan of 41% and 39%, respectively, below 2012 levels by 2030. Interim goals starting in 2022 would require states to achieve about two-thirds of the 2030 required reduction.

In March 2017, President Trump issued an executive order that, among other things, specifically directs the EPA to review, and if appropriate, initiate proceedings to suspend, revise, or rescind the CPP and related GHG regulations for new, reconstructed, or modified fossil-fueled power plants. As a result of this order and related EPA review, as well as the ongoing legal proceedings, the timelines for the GHG emission reduction goals and all other aspects of the CPP are uncertain. In April 2017, the EPA withdrew the proposed rule for a federal plan and model trading rules that were published in October 2015 for use in developing state plans to implement the CPP or for use in states where a plan is not submitted or approved. In October 2017, the EPA issued a proposed rulemaking to repeal the CPP. In December 2017, the EPA issued an advanced notice of proposed rulemaking to solicit input on whether it is appropriate to replace the CPP. In addition, the Governor of Wisconsin issued an executive order in February 2016, which prohibits state agencies, departments, boards, commissions, or other state entities from developing or promoting the development of a state plan to implement the CPP.

Notwithstanding the uncertain future of the CPP, and given current fuel and technology markets, we continue to evaluate opportunities and actions that preserve fuel diversity, lower costs for our customers, and contribute towards long-term GHG reductions. Our plan is to work with our industry partners, environmental groups, and the State of Wisconsin, with a goal of reducing CO_2 emissions by approximately 40% below 2005 levels by 2030. We have implemented and continue to evaluate numerous options in order to meet our CO_2 reduction goal, such as increased use of existing natural gas combined cycle units, co-firing or switching to natural gas in existing coal-fired units, reduced operation or retirement of existing coal-fired units, addition of new renewable energy resources (wind, solar), and consideration of supply and demand-side energy efficiency and distributed generation. As a result of our generation reshaping plan, we expect to retire approximately 1,800 MW of coal generation by 2020, including Pleasant Prairie power plant, PIPP, Pulliam power plant, and the jointly-owned Edgewater Unit 4 generation units. See Note 5, Property, Plant, and Equipment, for more information. In addition, we are evaluating our goal, and possible subsequent actions, with respect to national and international efforts to reduce future GHG emissions in order to limit future global temperature increases to less than two degrees Celsius.

We are required to report our CO_2 equivalent emissions from our electric generating facilities under the EPA Greenhouse Gases Reporting Program. For 2016, we reported aggregated CO_2 equivalent emissions of approximately 29.1 million metric tonnes to the EPA. Based upon our preliminary analysis of the data, we estimate that we will report CO_2 equivalent emissions of approximately 29.2 million metric tonnes to the EPA for 2017. 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 amounts related to the natural gas that our natural gas utilities distribute and sell. For 2016, we reported aggregated CO_2 equivalent emissions of approximately 26.8 million metric tonnes to the EPA. Based upon our preliminary analysis of the data, we estimate that we will report CO_2 equivalent emissions of approximately 26.4 million metric tonnes to the EPA for 2017.

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, which requires that the location, design, construction, and capacity of cooling water intake structures at existing power plants reflect the Best Technology Available (BTA) for minimizing adverse environmental impacts from both impingement (entrapping organisms on water intake screens) and entrainment (drawing organisms into water intake). 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.

Facility owners must select from seven compliance options available to meet the impingement mortality (IM) reduction standard. The rule requires state permitting agencies to make BTA determinations, subject to EPA oversight, for IM reduction over the next several years as facility permits are reissued. Based on our assessment, we believe that existing technologies at our generating facilities, except for Pulliam Units 7 and 8 and Weston Unit 2, satisfy the IM BTA requirements. We plan to retire Pulliam Units 7 and 8 as early as late 2018. Therefore, we are not planning to make alterations to the existing water intake at Pulliam Units 7 and 8. We do expect that limited studies will be required to support the future WDNR IM BTA determinations for Weston Unit 2. Based on preliminary discussions with the WDNR, we anticipate that the WDNR will not require physical modifications to the Weston Unit 2 intake structure to meet the IM BTA requirements based on low capacity use of the unit.

BTA determinations must also be made by the WDNR and MDEQ to address entrainment mortality (EM) reduction on a site-specific basis taking into consideration several factors. We have received an EM BTA determination by the WDNR, with EPA concurrence, for our intake modification at VAPP. Due to our plans to retire Pulliam Units 7 and 8, PIPP, and Pleasant Prairie power plant, we do not believe that BTA determinations for EM will be necessary for these facilities. Although we currently believe that, other than Weston Unit 2, existing technologies at Weston Units 3 and 4, PWGS, and OC 5 through OC 8 satisfy the EM BTA requirements, BTA determinations to address EM reduction requirements will not be made until discharge permits are renewed for these facilities. Until that time, with the exception of Weston Units 3 and 4, which have existing cooling towers that meet EM BTA requirements, we cannot yet determine what, if any, intake structure or operational modifications will be required to meet the new EM BTA requirements at the other facilities. We also expect that limited studies to support WDNR EM

BTA determinations will be conducted at the Weston facility. During 2018, we will continue to evaluate options to address the EM BTA requirements at these plants.

We have also provided information to the WDNR and the MDEQ about planned unit retirements. Based on discussions with the MDEQ, if we submit a signed certification stating that PIPP will be retired no later than the end of the next permit cycle (assumed to be October 1, 2023), the EM BTA requirements will be waived. We expect to submit the letter identifying the last operating date for PIPP to the MDEQ during 2018, ahead of when the agency begins processing our pending application for the National Pollutant Discharge Elimination System permit reissuance. For Pulliam Units 7 and 8, we submitted our 2016 and 2017 entrainment studies to the WDNR in December 2017, with the application to renew our existing discharge permit.

We believe our fleet overall is well positioned to meet the new regulation and do not expect to incur significant costs to comply with this regulation.

Steam Electric Effluent Limitation Guidelines – The EPA's final steam electric effluent limitation guidelines (ELG) rule took effect in January 2016. Various petitions challenging the rule were consolidated and are pending in the United States Fifth Circuit Court of Appeals. In April 2017, the EPA issued an administrative stay of certain compliance deadlines while further reviewing the rule. In September 2017, the EPA issued a final rule to postpone the earliest compliance dates for the bottom ash transport water and wet flue gas desulfurization wastewater requirements. This rule applies to wastewater discharges from our power plant processes in Wisconsin and Michigan. While the ELG compliance deadlines are postponed, the WDNR and the MDEQ have indicated that they will refrain from incorporating certain new requirements into any reissued discharge permits between 2018 and 2023.

After a final rule is back in effect, the WDNR and MDEQ have indicated that they will modify the state rules as necessary and incorporate the new requirements into our facility permits, which are renewed every five years. Our power plant facilities already have advanced wastewater treatment technologies installed that meet many of the discharge limits established by this rule. However, as currently constructed, the ELG rule will require additional wastewater treatment retrofits as well as installation of other equipment to minimize process water use.

The final rule would phase in new or more stringent requirements related to limits of arsenic, mercury, selenium, and nitrogen in wastewater discharged from wet scrubber systems. New requirements for wet scrubber wastewater treatment would require additional zero liquid discharge or other advanced treatment capital improvements for the OCPP and ERGS. The rule also would require dry fly ash handling, which is already in place at all of our power plants. Dry bottom ash transport systems are required by the new rule, and modifications would be required at OC 7, OC 8, and Weston Unit 3. We are beginning preliminary engineering for compliance with the rule and estimate approximately $70 million will be required to design and install these advanced treatment and bottom ash transport systems. This estimate reflects the planned retirements of certain of our generation plants as a result of our generation reshaping plan discussed in Climate Change above.

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 related to manufactured gas plant sites as of December 31:

(in millions)	**2017**	**2016**
Regulatory assets	**$ 676.6**	$ 702.7
Reserves for future remediation	**617.2**	633.4

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 by December 31, 2015. WE and WPS have achieved 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 operating revenues.

Michigan Legislation – In 2008, Michigan enacted Act 295, which required 10% of the state's electric energy to come from renewables by 2015 and energy optimization (efficiency) targets up to 1% annually by 2015. In December 2016, Michigan revised this legislation with Act 342, which requires additional renewable energy requirements beyond 2015. The new legislation retains the 10% renewable energy portfolio requirement for years 2017 through 2018, increases the requirement to 12.5% for years 2019 through 2020, and increases the requirement to 15.0% for 2021. WE and UMERC were in compliance with these requirements as of December 31, 2017. The revised 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 Consent Decree – Weston and Pulliam Power Plants – In November 2009, the EPA issued a 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.

The final Consent Decree includes:

- the installation of emission control technology, including ReACT™ on Weston 3,
- changed operating conditions,
- limitations on plant emissions,
- beneficial environmental projects totaling $6.0 million, and
- a civil penalty of $1.2 million.

The Consent Decree also contains requirements to refuel, repower, and/or retire certain Weston and Pulliam units. Effective June 1, 2015, WPS retired Weston Unit 1 and Pulliam Units 5 and 6. In May 2016, the EPA approved WPS's proposed revision to update requirements reflecting the conversion of Weston Unit 2 from coal to natural gas fuel, and also proposed revisions to the list of beneficial environmental projects required by the Consent Decree. WPS anticipates retirement of the remaining Pulliam units in 2018. See Note 5, Property, Plant, and Equipment, for more information about the retirement.

WPS received approval from the PSCW in its 2015 rate order to defer and amortize the undepreciated book value of the retired plant related to Weston Unit 1 and Pulliam Units 5 and 6 starting June 1, 2015, and concluding by 2023. Therefore, in June 2015, WPS recorded a regulatory asset of $11.5 million for the undepreciated book value. In addition, WPS received approval from the PSCW in its rate orders to recover prudently incurred costs as a result of complying with the terms of the Consent Decree, with the exception of the civil penalty.

Joint Ownership Power Plants Consent Decree – Columbia and Edgewater – In December 2009, the EPA issued a 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. WE paid an immaterial portion of the assessed penalty but has no further obligations under the Consent Decree.

The final Consent Decree includes:

- the installation of emission control technology, including scrubbers at the Columbia plant,
- changed operating conditions,
- limitations on plant emissions,
- beneficial environmental projects, with WPS's portion totaling $1.3 million, and
- WPS's portion of a civil penalty and legal fees totaling $0.4 million.

The Consent Decree contains a requirement to, among other things, refuel, repower, or retire Edgewater Unit 4, of which WPS is a joint owner, by no later than December 31, 2018. Management of the joint owners has recommended that Edgewater Unit 4 be retired by September 30, 2018. See Note 5, Property, Plant, and Equipment, for more information about the retirement.

NOTE 22—SUPPLEMENTAL CASH FLOW INFORMATION

(in millions)	**2017**	**2016**	**2015**
Cash (paid) for interest, net of amount capitalized	**$ (413.7)**	$ (411.9)	$ (329.6)
Cash received (paid) for income taxes, net	**5.2**	39.7	(9.3)
Significant non-cash transactions:			
Accounts payable related to construction costs	**169.2**	170.1	177.1
Increase (decrease) in restricted cash from the sale (purchase) of investments held in the rabbi trust	**4.6**	(59.2)	(60.2)
Portion of Bostco real estate holdings sale financed with note receivable [(1)]	**7.0**	—	—
Amortization of deferred revenue	**24.9**	24.7	39.9
Note receivable received related to the sale of AMP Trillium LLC [(2)]	**—**	—	12.0
Capital assets received related to the sale of AMP Trillium LLC [(2)]	**—**	—	6.3

(1) See Note 3, Dispositions, for more information on this sale.

(2) ITF owned a 30% interest in AMP Trillium LLC. See Note 3, Dispositions, for more information on the sale of ITF.

At December 31, 2017 and 2016, restricted cash of $19.7 million and $33.6 million, respectively, was recorded within other long-term assets on our balance sheets. The majority of this amount was held in the Integrys rabbi trust and represents a portion of the required funding that was triggered by the announcement of the Integrys acquisition. Withdrawals of restricted cash from the rabbi trust for qualifying payments are shown as an investing activity on the statements of cash flows. Changes in restricted cash due to the sale or purchase of investments held in the rabbi trust are non-cash transactions and are included in the table above.

NOTE 23—REGULATORY ENVIRONMENT

Tax Cuts and Jobs Act of 2017

WEC Energy Group's regulated utilities deferred for return to ratepayers, through future refunds, bill credits, riders, or reductions in other regulatory assets, the estimated tax benefit of $2,450 million related to the Tax Legislation that was signed into law in December 2017. This tax benefit resulted from the revaluation of deferred taxes. See Note 13, Income Taxes, for more information.

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

2018 and 2019 Rates

During April 2017, WE, WG, and WPS 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 freezes base rates through 2019 for electric, gas, and steam customers of WE, WG, and WPS. Based on the PSCW order, the authorized ROE for WE, WG, and WPS remains at 10.2%, 10.3%, and 10.0%, respectively, and the current capital cost structure for all of our Wisconsin utilities will remain unchanged through 2019. Various intervenors had filed requests for rehearing, all of which have been denied.

In addition to freezing base rates, the settlement agreement extends and expands the electric real-time market pricing program options for large commercial and industrial customers and mitigates the continued growth of certain escrowed costs at WE during the base rate freeze period by accelerating the recognition of certain tax benefits. The agreement also allows 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. The total cost of the ReACT™ project, excluding $51 million of AFUDC, is currently estimated to be $342 million.

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

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 the Forward Wind Energy Center, which consists of 86 wind turbines located in Wisconsin with a total capacity of 129 MW. The FERC approved the transaction in January 2018. The transaction remains subject to PSCW approval and is expected to close in the spring of 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 would provide approximately one-third of the current storage needs for the natural gas operations of WE, WG, and WPS. As a result of this agreement, WE, WG, and WPS 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, WG, and WPS 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, WG, and WPS 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, WG, and WPS 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.

2015 Wisconsin Electric Power Company Rate Order

In May 2014, WE applied to the PSCW for a biennial review of costs and rates. In December 2014, the PSCW approved the following rate adjustments, effective January 1, 2015:

- A net bill increase related to non-fuel costs for WE's retail electric customers of approximately $2.7 million (0.1%) in 2015. This amount reflected WE's receipt of SSR payments from MISO that were higher than WE anticipated when it filed its rate request in May 2014, as well as an offset of $26.6 million related to a refund of prior fuel costs and the remainder of the proceeds from a Treasury Grant that WE received in connection with its biomass facility. The majority of this $26.6 million was returned to customers in the form of bill credits in 2015.
- A rate increase for WE's retail electric customers of $26.6 million (0.9%) in 2016 related to the expiration of the bill credits provided to customers in 2015.
- A rate decrease of $13.9 million (-0.5%) in 2015 related to a forecasted decrease in fuel costs.
- A rate decrease of $10.7 million (-2.4%) for WE's natural gas customers in 2015, with no rate adjustment in 2016.
- A rate increase of approximately $0.5 million (2.0%) for WE's Downtown Milwaukee (Valley) steam utility customers in 2015, with no rate adjustment in 2016.
- A rate increase of approximately $1.2 million (7.3%) for WE's Milwaukee County steam utility customers in 2015, with no rate adjustment in 2016. As a result of the sale of the MCPP, WE no longer has any Milwaukee County steam utility customers. See Note 3, Dispositions, for more information about the sale of the MCPP.

The authorized ROE for WE was set at 10.2%, and its common equity component remained at an average of 51%. The PSCW order reaffirmed the deferral of WE's transmission costs, and it verified that 2015 and 2016 fuel costs should continue to be monitored using a 2% tolerance window. The PSCW order also authorized escrow accounting for SSR revenues because of the uncertainty of the actual revenues WE will receive under the PIPP SSR agreements. Under escrow accounting, WE records SSR revenues of $90.7 million a year. If actual SSR payments from MISO exceed $90.7 million a year, the difference is deferred and returned to customers, with interest, in a future rate case. If actual SSR payments from MISO are less than $90.7 million a year, the difference is deferred and is expected to be recovered from customers with interest, in a future rate case.

Earnings Sharing Agreement

In May 2015, the PSCW approved the acquisition of Integrys subject to the condition of an earnings sharing mechanism for WE. See Note 2, Acquisitions, for more information on this earnings sharing mechanism.

2015 Wisconsin Gas Rate Order

In May 2014, WG applied to the PSCW for a biennial review of costs and rates. In December 2014, the PSCW approved rate increases of $17.1 million (2.6%) in 2015 and $21.4 million (3.2%) in 2016 for WG's natural gas customers. These rate adjustments were effective January 1, 2015. The authorized ROE for WG was set at 10.3%. The PSCW also authorized an increase in WG's common equity component to an average of 49.5%.

Earnings Sharing Agreement

In May 2015, the PSCW approved the acquisition of Integrys subject to the condition of an earnings sharing mechanism for WG. See Note 2, Acquisitions, for more information on this earnings sharing mechanism.

2016 Wisconsin Public Service Corporation Rate Order

In April 2015, WPS initiated a rate proceeding with the PSCW. In December 2015, the PSCW issued a final written order for WPS, effective January 1, 2016. The order, which reflects a 10.0% ROE and a common equity component average of 51.0%, authorized a net retail electric rate decrease of $7.9 million (-0.8%) and a net retail natural gas rate decrease of $6.2 million (-2.1%). The decrease in retail electric rates was due to lower monitored fuel costs in 2016 compared with 2015. Absent the adjustment for electric fuel costs, WPS would have realized an electric rate increase. Based on the order, the PSCW allowed WPS to escrow ATC and MISO network transmission expenses through 2016. In addition, SSR payments are escrowed until a future rate proceeding. The order directed WPS to defer as a regulatory asset or liability the differences between actual transmission expenses and those included in rates. In addition, the PSCW approved a deferral for ReACT™, which required WPS to defer the revenue requirement of ReACT™ costs above the authorized $275.0 million level through 2016. Fuel costs will continue to be monitored using a 2% tolerance window.

In March 2016, WPS requested extensions from the PSCW through 2017 for the deferral of the revenue requirement of ReACT™ costs above the authorized $275.0 million level as well as escrow accounting of ATC and MISO network transmission expenses. In April 2016, WPS also requested to extend through 2017 the previously approved deferral of the revenue requirement difference between the Real Time Market Pricing and the standard tariffed rates for any of WPS's large commercial and industrial customers who entered into a service agreement with WPS under Real Time Market Pricing prior to April 15, 2016. These requests were approved by the PSCW in June 2016.

2015 Wisconsin Public Service Corporation Rate Order

In April 2014, WPS initiated a rate proceeding with the PSCW. In December 2014, the PSCW issued a final written order for WPS, effective January 1, 2015. It authorized a net retail electric rate increase of $24.6 million and a net retail natural gas rate decrease of $15.4 million, reflecting a 10.2% ROE. The order authorized a common equity component average of 50.28%. The PSCW approved a change in rate design for WPS, which included higher fixed charges to better match the related fixed costs of providing service. In addition, the order continued to exclude a decoupling mechanism that was terminated beginning January 1, 2014.

The primary driver of the increase in retail electric rates was higher costs of fuel for electric generation of approximately $42.0 million. In addition, 2015 rates included approximately $9.0 million of lower refunds to customers related to decoupling over-collections. In addition, WPS received approval from the PSCW to defer and amortize the undepreciated book value associated with Pulliam Units 5 and 6 and Weston Unit 1 starting with the actual retirement date, June 1, 2015, and concluding by 2023. See Note 21, Commitments and Contingencies, for more information. The PSCW allowed WPS to escrow ATC and MISO network transmission expenses for 2015 and 2016. As a result, WPS deferred as a regulatory asset the difference between actual transmission expenses and those included in rates until a future rate proceeding. Finally, the PSCW ordered that 2015 fuel costs should continue to be monitored using a 2% tolerance window.

The retail natural gas rate decrease was driven by the approximate $16.0 million year-over-year negative impact of decoupling refunds to and collections from customers between 2015 and 2014.

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

Base Rate Freeze

In June 2015, the ICC approved the acquisition of Integrys subject to the condition that PGL and NSG will not seek increases of their base rates that would become effective earlier than two years after the close of the acquisition. This base rate freeze expired in 2017 and did not impact PGL's or NSG's ability to adjust rates through various riders or GCRMs.

Illinois Proceedings

In December 2015, the ICC ordered a series of stakeholder workshops to evaluate PGL's SMP. This ICC action did not impact PGL's ongoing work to modernize and maintain the safety of its natural gas distribution system, but it instead provided the ICC with an opportunity to analyze long-term elements of the program through the stakeholder workshops. The workshops 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. In March 2017, the ICC issued an order directing that additional hearings be held before the ALJ on certain issues to further develop the evidentiary record in the case. This proceeding resulted in a final order issued by the Commission in January 2018. The order did not have a significant impact on PGL's existing SMP design and execution.

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 2017, PGL filed its 2016 reconciliation with the ICC, which, along with the 2015 reconciliation, is still pending. In February 2018, PGL agreed to a settlement of the 2014 reconciliation, which includes a rate base reduction of $5.4 million and a $4.7 million refund to ratepayers. As of December 31, 2017, 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.

2015 Illinois Rate Order

In February 2014, PGL and NSG initiated a rate proceeding with the ICC. In January 2015, the ICC issued a final written order for PGL and NSG, effective January 28, 2015. The order authorized a retail natural gas rate increase of $74.8 million for PGL and $3.7 million for NSG. In February 2015, the ICC issued an amendatory order that revised the increases to $71.1 million for PGL and $3.5 million for NSG, effective February 26, 2015, to reflect the extension of bonus depreciation in 2014. The rates for PGL reflected a 9.05% ROE and a common equity component average of 50.33%. The rates for NSG reflected a 9.05% ROE and a common equity component average of 50.48%. The rate order allowed PGL and NSG to continue the use of their decoupling mechanisms and uncollectible expense true-up mechanisms. In addition, as previously discussed, PGL recovers a return on certain investments and depreciation expense through the QIP rider, and accordingly, such costs are not subject to PGL's rate order.

Minnesota Energy Resources Corporation

2018 Minnesota Rate Case

In October 2017, MERC initiated a rate proceeding with the MPUC to increase retail natural gas rates $12.6 million (5.05%). MERC's request reflects a 10.3% ROE and a common equity component average of 50.9%. The proposed retail natural gas rate increase is primarily driven by increased capital investments as well as general inflation. MERC is also requesting authority from the MPUC to continue the use of its currently authorized decoupling mechanism.

In November 2017, the MPUC approved an interim rate order, effective January 1, 2018, authorizing a retail natural gas rate increase for MERC of $9.5 million (3.78%). The interim rates reflect a 9.11% ROE and a common equity component average of 50.9%. The interim rate increase is subject to refund pending the final written rate order, which is expected in the first half of 2019.

2016 Minnesota Rate Case

In September 2015, MERC initiated a rate proceeding with the MPUC. In October 2016, the MPUC issued a final written order for MERC, effective March 1, 2017. The order authorized a retail natural gas rate increase of $6.8 million (3.0%). The rates reflected a 9.11% ROE and a common equity component average of 50.32%. The order approved MERC's request to continue the use of its decoupling mechanism for another three years. The final approved rate increase was lower than the interim rates collected from customers during 2016. Therefore, we refunded $4.1 million to MERC's customers in 2017.

2015 Minnesota Rate Case

In September 2013, MERC initiated a rate proceeding with the MPUC. In October 2014, the MPUC issued a final written order for MERC, effective April 1, 2015. The order authorized a retail natural gas rate increase of $7.6 million. The rates reflected a 9.35% ROE and a common equity component average of 50.31%. The order approved a deferral of customer billing system costs, for which recovery was requested in MERC's 2016 rate case. The order also approved MERC's request to continue the use of its decoupling mechanism with a 10% cap for residential and small commercial and industrial customers. The final approved rate increase was lower than the interim rates collected from customers during 2014. Therefore, MERC refunded $4.7 million to customers in 2015.

Michigan Gas Utilities Corporation

2016 Michigan Rate Order

In June 2015, MGU initiated a rate proceeding with the MPSC. In December 2015, the MPSC issued a final written order approving a settlement agreement for MGU. The order, which reflects a 9.9% ROE and a common equity component average of 52.0%, authorized a retail natural gas rate increase of $3.4 million (2.4%), effective January 1, 2016. Based on the settlement agreement, MGU discontinued the use of its decoupling mechanism after December 31, 2015. In addition, since bonus depreciation was in effect in 2016, MGU established a regulatory liability for the resulting cost savings and must refund the liability in its next general rate case.

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 it will 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. The estimated cost of this project is $266 million ($277 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. The new units are expected to begin commercial operation in 2019 and should allow for the retirement of PIPP no later than 2020. Tilden will remain a customer of WE until this new generation begins commercial operation.

2015 Rate Order

In October 2014, WPS initiated a rate proceeding with the MPSC. In April 2015, the MPSC issued a final written order for WPS, effective April 24, 2015, approving a settlement agreement. The order authorized a retail electric rate increase of $4.0 million to be implemented over three years to recover costs for the 2013 acquisition of the Fox Energy Center as well as other capital investments associated with the Crane Creek wind farm and environmental upgrades at generation plants. The rates reflected a 10.2% ROE and a common equity component average of 50.48%. The increase reflected the continued deferral of costs associated with the Fox Energy Center until the second anniversary of the order. The increase also reflected the deferral of Weston Unit 3 ReACT™ environmental project costs. On the second anniversary of the order, WPS discontinued the deferral of the Fox Energy Center costs and began amortizing this deferral along with the deferral associated with the termination of a tolling agreement related to the Fox Energy Center. WPS also received approval from the MPSC to defer and amortize the undepreciated book value of the retired plant associated with Pulliam Units 5 and 6 and Weston Unit 1 starting with the actual retirement date, June 1, 2015, and concluding by 2023. As a result of the formation of UMERC, WPS transferred the deferrals mentioned above, as well as its customers and property, plant, and equipment located in the Upper Peninsula of Michigan to the new utility, effective January 1, 2017. Therefore, the terms and conditions of this rate order were applicable to UMERC starting January 1, 2017.

NOTE 24—OTHER INCOME, NET

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

(in millions)	2017	2016	2015
AFUDC – Equity	**$ 11.4**	$ 25.1	$ 20.1
Gain on repurchase of notes	**—**	23.6	—
Gain on asset sales	**1.9**	19.6	22.9
Other, net	**51.3**	12.5	15.9
Other income, net	**$ 64.6**	$ 80.8	$ 58.9

NOTE 25—QUARTERLY FINANCIAL INFORMATION (Unaudited)

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	$ **2,304.5**	$ **1,631.5**	$ **1,657.5**	$ **2,055.0**	$ **7,648.5**
Operating income	**617.3**	**362.2**	**393.6**	**412.1**	**1,785.2**
Net income attributed to common shareholders	**356.6**	**199.1**	**215.4**	**432.6**	**1,203.7**
Earnings per share *					
Basic	$ **1.13**	$ **0.63**	$ **0.68**	$ **1.37**	$ **3.81**
Diluted	**1.12**	**0.63**	**0.68**	**1.36**	**3.79**
2016					
Operating revenues	$ 2,194.8	$ 1,602.0	$ 1,712.5	$ 1,963.0	$ 7,472.3
Operating income	589.3	332.1	399.0	361.7	1,682.1
Net income attributed to common shareholders	346.2	181.4	217.0	194.4	939.0
Earnings per share *					
Basic	$ 1.10	$ 0.57	$ 0.69	$ 0.62	$ 2.98
Diluted	1.09	0.57	0.68	0.61	2.96

* 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 26—NEW ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, the FASB and the International Accounting Standards Board issued their joint revenue recognition standard, ASU 2014-09, Revenue from Contracts with Customers. Several amendments were issued subsequent to the standard to clarify the guidance. The core principle of the guidance is to recognize revenue in an amount that an entity is entitled to receive in exchange for goods and services. The guidance also requires additional disclosures about the nature, amount, timing, and uncertainty of revenues and the related cash flows arising from contracts with customers.

We have completed the review of our contracts with customers and are finalizing the related financial disclosures to evaluate the impact of the amended guidance on our existing revenue recognition policies and procedures. We have evaluated the nature of our operating revenues and do not expect that there will be a significant shift in the timing or pattern of revenue recognition. Most of our revenues are from tariff sales at our regulated utilities, which are in the scope of the new standard, excluding the revenue component related to alternative revenue programs. The revenues from these contracts are recorded at the amount of the electricity or natural gas delivered to the customer during the period.

We adopted this standard for interim and annual periods beginning January 1, 2018, as required, and used the modified retrospective method of adoption. The most significant impact to the financial statements is expected to be in the form of additional disclosures. However, we do not expect to have a cumulative-effect adjustment to record on the balance sheet as of the beginning of 2018; and therefore, do not expect to include a reconciliation of results under the new revenue recognition guidance compared with what would have been reported in 2018 under the old revenue recognition guidance. We will include disaggregated revenue disclosures by segment, major products (electric and natural gas), and customer class in the combined notes to the financial statements, starting in the first quarter of 2018.

Recognition and Measurement of Financial Instruments

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Liabilities. This guidance requires equity investments, including other ownership interests such as partnerships, unincorporated joint ventures, and limited liability companies, to be measured at fair value with changes in fair value recognized in net income. It also simplifies the impairment assessment of equity investments without readily determinable fair values and amends certain disclosure requirements associated with the fair value of financial instruments. This ASU does not apply to investments accounted for under the equity method of accounting. As required, we adopted this ASU for interim and annual periods beginning January 1, 2018. We do not believe the adoption of this guidance will have a significant impact on our financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and will be applied using a modified retrospective approach. The main provision of this ASU is that lessees will be required to recognize lease assets and lease liabilities for most leases, including those classified as operating leases under GAAP. We are currently assessing the effects this guidance may have on our financial statements.

Financial Instruments Credit Losses

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. This ASU introduces a new impairment model known as the current expected credit loss model. The ASU requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. Previously, recognition of the full amount of credit losses was generally delayed until the loss was probable of occurring. We are currently assessing the effects this guidance may have on our financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. There are eight main provisions of this ASU for which current GAAP either is unclear or does not include specific guidance. As required, we adopted this ASU for interim and annual periods beginning January 1, 2018 and used a retrospective transition method. We do not believe the adoption of this guidance will have a significant impact on our financial statements.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, Restricted Cash. Under this ASU, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-the period and end-of-the period total amounts shown on the statements of cash flows. As required, we adopted this ASU for interim and annual periods beginning January 1, 2018. We do not believe the adoption of this guidance will have a significant impact on our financial statements.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. Under this ASU, an employer is required to disaggregate the service cost component from the other components of the net benefit cost. The amendments provide explicit guidance on how to present the service cost component and the other components of the net benefit cost in the income statement and allow only the service cost component of the net benefit cost to be eligible for capitalization. As required, we adopted this ASU for interim and annual periods beginning January 1, 2018. The amendments will be applied retrospectively for the presentation of the service cost component and the other components of the net benefit cost in the income statement, and prospectively for the capitalization of the service cost component in assets. As a result of the application of accounting principles for rate regulated entities, a similar amount of net benefit cost (including non-service components) will be recognized in our financial statements consistent with the current rate-making treatment. The impacts of adoption will be limited to changes in classification of non-service costs in the income statements.

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 the Financial Statements

We have audited the accompanying consolidated balance sheets and statements of capitalization of WEC Energy Group, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2017 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, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, 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, 2017, 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 28, 2018 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 audit 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.

Deloitte & Touche LLP

Milwaukee, Wisconsin
February 28, 2018

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, 2017, based on the 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, 2017, based on the 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, 2017, of the Company and our report dated February 28, 2018 expressed an unqualified opinion on those consolidated financial statements and financial statement schedules.

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 audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit 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 audit provides 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 the 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 28, 2018

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, 2017.

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-90.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the fourth quarter of 2017 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)***	**2017** (1)	**2016**	**2015** (2)	**2014**	**2013**
Operating revenues	**$ 7,648.5**	$ 7,472.3	$ 5,926.1	$ 4,997.1	$ 4,519.0
Net income attributed to common shareholders	**1,203.7**	939.0	638.5	588.3	577.4
Total assets	**31,590.5**	30,123.2	29,355.2	14,905.0	14,443.2
Preferred stock of subsidiary	**30.4**	30.4	30.4	30.4	30.4
Long-term debt (excluding current portion)	**8,746.6**	9,158.2	9,124.1	4,170.7	4,347.0
Weighted average common shares outstanding					
Basic	**315.6**	315.6	271.1	225.6	227.6
Diluted	**317.2**	316.9	272.7	227.5	229.7
Earnings per share					
Basic	**$ 3.81**	$ 2.98	$ 2.36	$ 2.61	$ 2.54
Diluted	**$ 3.79**	$ 2.96	$ 2.34	$ 2.59	$ 2.51
Dividends per share of common stock	**$ 2.08**	$ 1.98	$ 1.74	$ 1.56	$ 1.45

(1) Includes the impact of the enactment of the Tax Legislation. See Note 13, Income Taxes, for more information.

(2) Includes the impact of the Integrys acquisition for the last two quarters of 2015. See Note 2, Acquisitions, for more information.

PERFORMANCE GRAPH

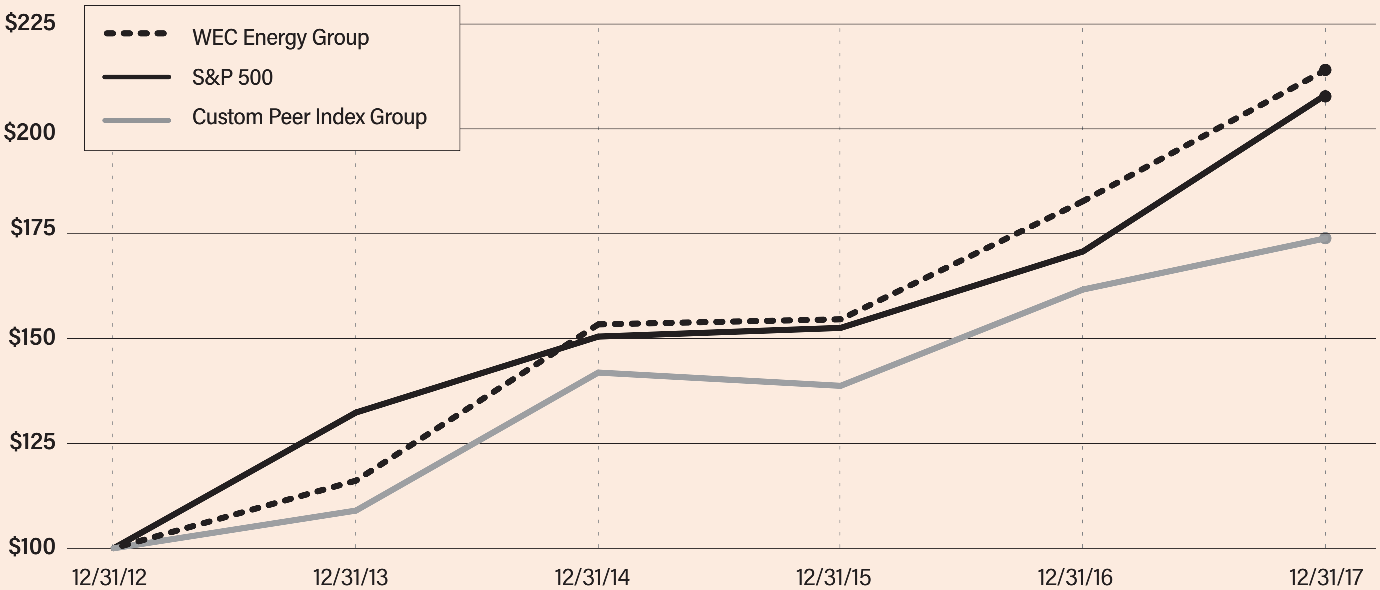
The performance graph below shows a comparison of the cumulative total return, assuming reinvestment of dividends, over the last five years had $100 been invested at the close of business on December 31, 2012, in each of:

- WEC Energy Group common stock;
- a Custom Peer Group Index; and
- the Standard & Poor's 500 Index ("S&P 500").

Custom Peer Group Index. We have used the Custom Peer Group Index for peer comparison purposes because we believe the Index provides an accurate representation of our peers. The Custom Peer Group Index 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 Group Index 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; Eversource Energy; FirstEnergy Corp.; Great Plains Energy, Inc.; NiSource Inc.; OGE Energy Corp.; PG&E Corporation; Pinnacle West Capital Corporation; SCANA Corporation; The Southern Company; and Xcel Energy Inc.

Five-Year Cumulative Return



Value of Investment at Year-End

	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
WEC Energy Group, Inc.	$100	$116.13	$153.39	$154.60	$182.76	$213.98
Custom Peer Group Index	$100	$108.99	$141.90	$138.74	$161.70	$173.89
S&P 500	$100	$132.37	$150.48	$152.55	$170.78	$208.05

MARKET FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

NUMBER OF COMMON STOCKHOLDERS

As of January 31, 2018, based upon the number of WEC Energy Group shareholder accounts (including accounts in our dividend reinvestment and stock purchase plan), we had approximately 50,000 registered shareholders.

COMMON STOCK LISTING AND TRADING

Our common stock is listed on the New York Stock Exchange under the ticker symbol "WEC."

DIVIDENDS AND COMMON STOCK PRICES

Common Stock Dividends of WEC Energy Group

Cash dividends on our common stock, as declared by our Board of Directors, are normally paid on or about the first day of March, June, September, and December of each year. 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 information regarding restrictions on the ability of our subsidiaries to pay us dividends, see Note 9, Common Equity.

On January 18, 2018, the Board of Directors increased the quarterly dividend to $0.5525 per share effective with the first quarter of 2018 dividend payment, which equates to an annual dividend of $2.21 per share. In addition, the Board of Directors affirmed our dividend policy that continues to target a dividend payout ratio of 65.0–70.0% of earnings.

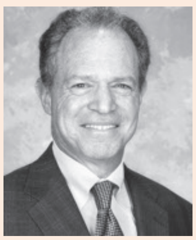
Range of WEC Energy Group Common Stock Prices and Dividends

	2017			2016		
Quarter	**High**	**Low**	**Dividend**	**High**	**Low**	**Dividend**
First	$ 61.53	$ 56.05	$ 0.520	$ 60.16	$ 50.44	$ 0.495
Second	$ 64.37	$ 59.61	0.520	$ 65.30	$ 55.46	0.495
Third	$ 67.20	$ 60.47	0.520	$ 66.10	$ 59.03	0.495
Fourth	$ 70.09	$ 62.84	0.520	$ 60.13	$ 53.66	0.495
Annual	$ 70.09	$ 56.05	$ 2.080	$ 66.10	$ 50.44	$ 1.980

BOARD OF DIRECTORS

John F. Bergstrom
Director since 1987.
Chairman and Chief Executive Officer of Bergstrom Corporation, which owns and operates numerous automobile sales and leasing companies.

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.



William J. Brodsky
Director since 2015.
Chairman of Cedar Street Asset Management LLC, a Chicago-based portfolio management firm that specializes in investments in international equities.

Albert J. Budney, Jr.
Director since 2015.
Retired President and Director of Niagara Mohawk Holdings, Inc., a holding company that distributes electricity in areas of New York through its utility subsidiaries.

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.

Gale E. Klappa
Director since 2003.
Chairman of the Board and Chief Executive Officer 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.

Allen L. Leverett
Director since 2016.
President of WEC Energy Group, Inc.

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 December 31, 2017 of WEC Energy Group's officers are listed below.

Gale E. Klappa [(1)] [(2)] - Chairman of the Board and Chief Executive Officer.

Allen L. Leverett [(1)] [(2)] - President.

Robert M. Garvin [(1)] - Executive Vice President-External Affairs.

Margaret C. Kelsey [(1)] [(3)] - Executive Vice President.

J. Patrick Keyes [(1)] - Executive Vice President-Strategy.

Scott J. Lauber [(1)] - Executive Vice President and Chief Financial Officer.

Susan H. Martin [(1)] [(3)] - Executive Vice President, General Counsel and Corporate Secretary.

M. Beth Straka [(1)] - Senior Vice President-Corporate Communications and Investor Relations.

Darnell K. DeMasters - Vice President-Federal Government Affairs.

William J. Guc [(1)] - Vice President and Controller.

James A. Schubilske [(1)] - Vice President and Treasurer.

Keith H. Ecke - Assistant Corporate Secretary.

David L. Hughes - Assistant Treasurer.

(1) Executive Officer of WEC Energy Group as of December 31, 2017.

(2) On October 12, 2017, WEC Energy Group filed a Form 8-K to disclose that Mr. Leverett had suffered a stroke. The Board of Directors of WEC Energy Group appointed Mr. Klappa to act as Chief Executive Officer of WEC Energy Group until such time as Mr. Leverett is able to resume those responsibilities.

(3) In July 2017, WEC Energy Group announced Ms. Martin's intent to retire in early 2018. As part of that transition, effective January 1, 2018, Ms. Kelsey was appointed Executive Vice President, General Counsel, and Corporate Secretary of WEC Energy Group, and Ms. Martin was appointed Executive Vice President of WEC Energy Group.

The following individuals were also executive officers of WEC Energy Group as of December 31, 2017:

- J. Kevin Fletcher - President of WEC Energy Group's Wisconsin segment, which includes Wisconsin Electric Power Company, Wisconsin Gas LLC, and Wisconsin Public Service Corporation.
- 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 - Executive Vice President-Generation of Wisconsin Electric Power Company and Wisconsin Public Service Corporation.
- Joan M. Shafer - Executive Vice President-Human Resources and Organizational Effectiveness of WEC Energy Group's Wisconsin utility subsidiaries. Ms. Shafer announced that she will be retiring effective May 1, 2018.

NOTICE OF 2018 ANNUAL MEETING AND PROXY STATEMENT

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Notice of 2018 Annual Meeting of Stockholders

We are pleased to invite you to join our Board of Directors and senior leadership at WEC Energy Group's 2018 Annual Meeting of Stockholders.

When and Where

Thursday, May 3, 2018, 10:00 a.m., Central time
Concordia University Wisconsin
R. John Buuck Field House
12800 North Lake Shore Drive
Mequon, WI 53097

Items of Business

1. Elect fourteen directors for terms expiring in 2019.
2. Ratify Deloitte & Touche LLP as independent auditors for 2018.
3. Provide advisory vote to approve compensation of the named executive officers.
4. Consider any other matters that may properly come before the meeting.

Record Date

The Board of Directors set February 22, 2018 as the record date for the meeting. This means that our stockholders as of the close of business on that date are entitled to receive this notice of the meeting and vote at the meeting. On the record date, there were 315,538,808 shares of common stock of WEC Energy Group, Inc. issued and outstanding and entitled to vote at the meeting.

Meeting Attendance Information

If you plan to attend the Annual Meeting in person, you must pre-register and present photo identification at the door. See page P-72 for information about the location, format, and how to register to attend the meeting. Regardless of whether you plan to attend, please take a moment to vote your Proxy.

If you are unable to attend, you may view a live webcast on our website at www.wecenergygroup.com/invest/annualmtg.htm.

By Order of the Board of Directors,

Margaret C. Kelsey
Executive Vice President,
General Counsel and Corporate Secretary
March 22, 2018

Voting Information

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 10:59 p.m. Central time, on Wednesday, May 2, 2018.

Registered Stockholders of Record

You may vote using one of the following voting methods. Please make sure you have your proxy card in hand and follow the instructions.

ONLINE

Visit www.investorvote.com

or scan the QR code with your smart phone

BY PHONE

Call toll-free 800-652-8683

BY MAIL

Sign, date and return your proxy card

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.

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-72.

If you receive paper copies of the proxy materials, please consider signing up to receive them electronically in the future by following the instructions contained on page P-73. By delivering our proxy materials electronically, we can provide our stockholders with the information they need in a more cost-effective manner.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 3, 2018 — The Proxy Statement and 2017 Annual Report are available at www.envisionreports.com/wec.

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WEC Energy Group

An Energy Industry Leader

WEC Energy Group is one of the nation's largest electric and natural gas delivery companies, with deep operational expertise, scale, and financial resources to meet the Midwest region's energy needs.

CR's 100 Best Corporate Citizens 2017

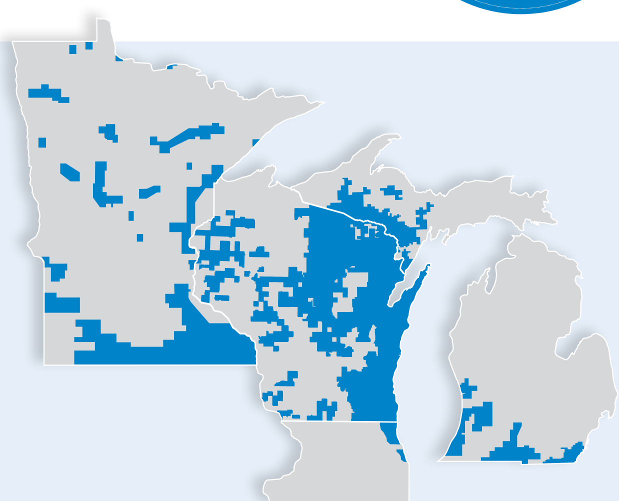
69,600 miles
of electric distribution

49,000 miles
of natural gas distribution and transmission lines (including mains)

8,700 megawatts
of power capacity

8,000 employees

We provide vital services to more than **4.4 million** customers in Wisconsin, Illinois, Michigan and Minnesota.



WEC Energy Group includes the following companies:

We Energies delivers electricity, natural gas and steam to more than 2.2 million customers in Wisconsin.

In 2017, PA Consulting Group named We Energies best in America for keeping the lights on for our customers, and best in the Midwest for the seventh year in a row.

Wisconsin Public Service delivers electricity and natural gas to more than 770,000 customers in northeast and central Wisconsin.

Michigan Gas Utilities delivers natural gas to more than 176,000 customers in southern and western Michigan.

Minnesota Energy Resources delivers natural gas to more than 235,000 customers in communities across Minnesota.

Peoples Gas delivers natural gas to more than 845,000 customers in the city of Chicago.

North Shore Gas delivers natural gas to more than 160,000 customers in Chicago's northern suburbs.

Upper Michigan Energy Resources delivers electricity and natural gas to more than 42,000 customers in Michigan's Upper Peninsula.

Bluewater Gas Storage, located in southeast Michigan, provides natural gas storage and hub services to We Energies and Wisconsin Public Service.

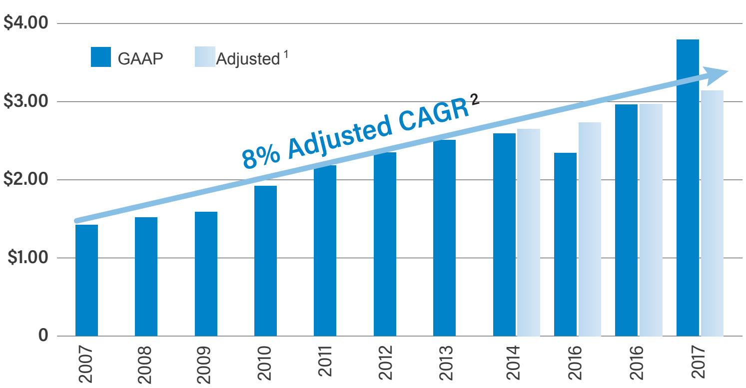
We Power designs, builds and owns modern, efficient power plants.

Track Record of Exceptional Performance

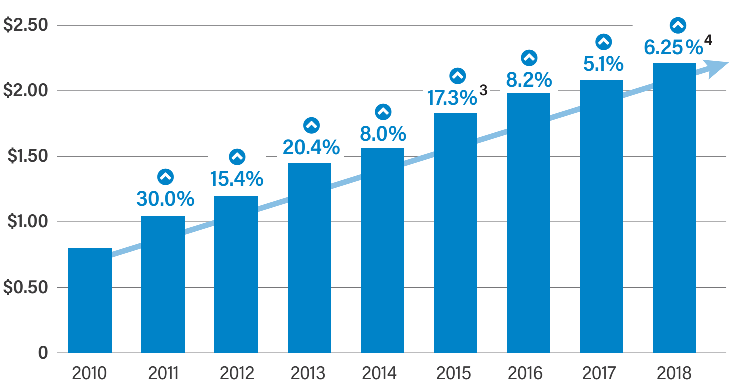
Our goal is to continue to create long-term value for our shareholders and our customers by focusing on reliability, operating efficiency, financial discipline, customer care and safety.

- Portfolio of premium businesses
- Investment opportunities can support 5-7 percent EPS growth with minimal rate impact to customers
- A strong credit profile that preserves the ability to invest in additional value-added projects
- Experienced management team focused on creating and preserving value
- Poised to deliver among the best risk-adjusted returns in the industry

A DECADE OF CONSISTENT EPS GROWTH



ANNUALIZED DIVIDENDS PER SHARE



- Dividend growth projected to be in line with earnings growth

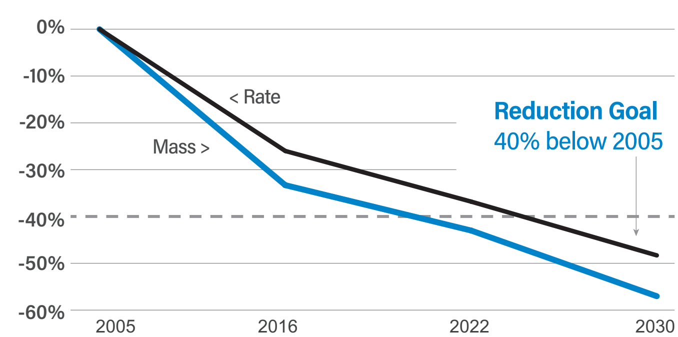
Environmental Stewardship

Addressing climate change is an integral component of our strategic planning process. Our goal is to work with industry partners, environmental groups and the state of Wisconsin to reduce carbon dioxide (CO_2) emissions by approximately 40 percent below 2005 levels by 2030. We are reshaping our generation fleet for a clean, reliable energy future. The plan includes:

- Retiring older, fossil-fueled units
- Building new, state-of-the-art natural gas units
- Investing in cost-effective, zero-carbon, renewable generation

Taken as a whole, reshaping our generation fleet should reduce power supply costs to customers, preserve fuel diversity and lower CO_2 emissions. The retirements and new investments will better balance our supply with our demand.

ACHIEVING OUR CARBON GOAL



Corporate Responsibility

As part of our commitment to sustainably serve our customers, employees, investors and communities, we report on the impacts of our business. Our annual Corporate Responsibility Report and ESG/Sustainability Template, published in collaboration with the Edison Electric Institute, provide more information on our environmental, social and governance efforts.

www.wecenergygroup.com/csr

(1) Adjusted earnings per share exclude acquisition costs (2014, 2015, and 2016), and one-time, non-cash adjustments related to the Tax Cut and Jobs Act (2017)

(2) 10% CAGR based off GAAP EPS that exclude one-time, non-cash adjustments related to the Tax Cut and Jobs Act of 2017

(3) Annualized based on 4th quarter 2015 dividend of $0.4575

(4) Annualized based on 1st quarter 2018 dividend of $0.5525

PROXY SUMMARY

This summary is intended to highlight certain information found within this proxy statement. This summary does not contain all of the information that you should consider. Please read the entire proxy statement before voting. Additional information regarding WEC Energy Group, Inc.'s (the "Company") 2017 performance can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Business of the Annual Meeting of Stockholders

Voting Matter		Board Vote Recommendation	Page
Proposal 1	Election of Directors for Terms Expiring in 2019	FOR each nominee	P-13
Proposal 2	Ratification of Deloitte & Touche LLP as Independent Auditors for 2018	FOR	P-26
Proposal 3	Advisory Vote to Approve Compensation of the Named Executive Officers	FOR	P-29

The next several pages highlight the Company's key governance processes and practices used to support Proposal 1 - Election of Directors, with detailed information beginning on page P-14. Also included in this summary is an overview of key performance and compensation program highlights that support Proposal 3 - Advisory Vote to Approve Compensation of the Named Executive Officers. More information on this "Say-on-Pay" proposal begins on page P-30.

Corporate Governance

Since 1996, the Company's Board of Directors (the "Board") has maintained formal corporate governance guidelines that provide a framework under which it conducts business. The Board's Corporate Governance Committee annually reviews its governance practices, and in 2017, this process took into consideration discussions with investors, feedback from our external governance advisor, as well as findings from industry surveys, benchmarking studies, and governance guidelines published by institutional investors and proxy advisors. Key governance practices are highlighted below; more detailed information begins on page P-66.

GOVERNANCE PRINCIPLES		WEC ENERGY GROUP PRACTICES
Board composition	✓	• Annual election of directors since 2005 • 12 of 14 independent directors • Diverse representation of skills and competencies • Regular Board refreshment and mix of tenure • Comprehensive, ongoing Board succession planning process • Expectation that directors will dedicate sufficient time to perform duties
Board leadership	✓	• Presiding independent director with defined duties • Chairman active in stockholder engagement and communications
Board governance practices	✓	• Directors expected to participate in annual meeting with stockholders • Annual performance evaluations of CEO, Board, and Board Committees • 100% independent Board Committees • Board participation in critical activities, including agenda setting and strategic planning • Board members have complete access to management and outside advisors • Stock ownership requirements • Regular executive sessions of independent directors at Board and Committee meetings
Stockholder voting rights	✓	• Stockholders can nominate directors; proxy access bylaw adopted in 2016 • One-share, one-vote standard; dual class voting is not practiced • Special meeting provisions
Executive compensation	✓	• Competitively tailored to business and industry, aligned with long-term performance and business strategy • Includes short- and long-term metrics, cash, and equity components; substantial portion is at risk • Public disclosure of peer groups, benchmarks, and performance measurements • Clawback policies for cash and equity; prohibition of hedging and pledging of Company securities • Stock ownership requirements

2017 Board Governance Highlights

The Board is actively engaged in delivering strong governance oversight, keeping a pulse on practices that are of most concern to our stockholders. In 2017, specific governance-related areas of focus for the Board are highlighted below.

Strategic Planning

At each Board meeting held in 2017, time was allocated on the agenda for the Board to engage in substantive discussions with management on strategic matters, including areas of risk and opportunity. The Board provided critical input in several key strategic areas, including:

- capital investments;
- regulatory goals;
- legislative priorities; and
- upgrades to customer service and information technology systems.

Addressing **climate change** is an integral component of our strategic planning process. Throughout 2017, the Board routinely engaged in discussions with management on its plan to reshape the Company's generation fleet, which includes retiring older, fossil-fueled generating units, building state-of-the-art, natural gas generation, and investing in cost-effective, zero-carbon generation.

Board Evaluation Process

Spearheaded by the Corporate Governance Committee, a key priority for the Board in 2017 was to assess and enhance its annual self-evaluation process. Following the recommendation of the Committee, the Board has incorporated two changes into its process:

- the Board adopted a framework of questions developed by the National Association of Corporate Directors (NACD) that addresses the following areas: Board composition and leadership; Board committees; Board meetings; overall effectiveness of the Board; and overall effectiveness of the Board with regard to management; and
- the presiding director and/or Board chairman use of this framework to seek input from each Board member during one-on-one discussion sessions; at the conclusion of the individual feedback sessions, the Board receives a summary of the findings for its review and discussion as a group.

Board Succession Planning

Throughout 2017, the Board was engaged in rigorous discussions on Board succession planning, taking into consideration matters such as: current inventory of director skills; diversity, including gender, ethnicity, retirement age, and tenure; and future competencies needed to support appropriate oversight of the Company's enterprise risks. As an outcome of this succession planning process, the Board elected two new Board members who began serving in January 2018. In addition, Director Paul W. Jones elected to retire at the end of 2017.

Management Succession Planning

In October 2017, the Company's then-CEO, Allen Leverett, suffered a stroke. The Board activated its succession plan, retaining the Company's former CEO, Gale Klappa, to serve as the CEO during Mr. Leverett's recovery. Despite Mr. Leverett's sudden and unexpected departure, this transition in management has been smooth and successful. Mr. Klappa's deep understanding of the Company and its operations, employees, and investors has enabled him to provide significant continuity as the Company carries out its strategic objectives during Mr. Leverett's absence.

While the Board separated the roles of chairman and CEO when Mr. Klappa retired from the Company in 2016, the Company's Corporate Governance Guidelines enable the Board to exercise its discretion in determining when separating or combining the roles is in the best interest of the Company. Given the circumstances, the Board determined that combining the roles under Mr. Klappa, who was already serving as Non-Executive Chairman, is the best governance structure for the Company and its stockholders at this time. The Board's independent Presiding Director, Barbara Bowles, who is the Chair of the Corporate Governance Committee, continues to carry out her specified duties, as defined on page P-66.

In keeping with its standard practice, in 2018, the Board will continue to actively participate in the Company's executive succession planning process, including for the CEO position, while concurrently monitoring and assessing Mr. Leverett's status and timeline to return to the position.

Stockholder Outreach and Engagement

Detailed information on our year-round stockholder outreach and engagement program can be found on page P-69.

The investor outreach we conduct in the fall is specifically intended to focus on soliciting input from our stockholders on corporate governance matters. During the fall of 2017, we engaged with some of the Company's largest stockholders, for discussions centered around the following:

- Board governance matters, including the Board's diversity, tenure, and succession planning process;
- our executive compensation program, including discussion on the measures we use to link executive pay to performance; and
- steps we are taking to prioritize environmental and social matters within the Company's long-term strategic plan, including reshaping our generation fleet to reduce costs to customers, preserve fuel diversity, and reduce carbon emissions.

2018 Board Composition

Through its Board succession planning process, the Board seeks to maintain its independence and diversity - of knowledge, skills, experiences, thought, gender, ethnicity, tenure, and maturity - which we believe has been accomplished through the slate of nominees presented for election.

INDEPENDENCE

12 OF **14** Director nominees are **independent**

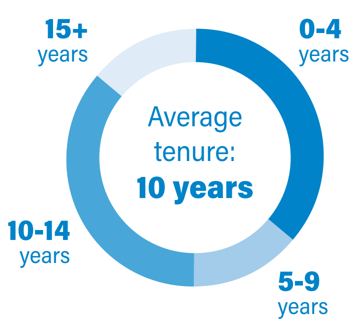
CEO EXPERIENCE

10 OF **14** Director nominees are **current** or **former CEOs**

FINANCIAL EXPERTISE

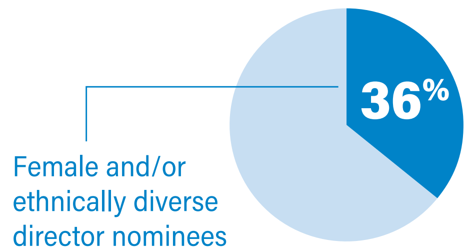
6 OF **6** Director nominees on the Audit Committee are **financial experts**

BALANCED TENURE



6 new directors elected in the **past five years**

DIVERSITY



3 Director nominees are **women**

3 Director nominees are **African American**

CORE COMPETENCIES

Audit/Financial Reporting	13	93%
CEO/Senior Leadership Experience	12	86%
Risk Management	12	86%
Corporate Governance	11	78%
Strategic Planning	11	78%
Financial Strategy/Investment	10	77%
Talent Management/Exec Comp	9	64%
Regulated Industry	8	57%
Company's Business/Industry	8	57%
Environment/CSR	8	57%
Innovation/Technology	4	29%
Customer Service	4	29%
Government/Public Policy	3	21%

(based upon 14 members)

AGE RANGE

5 directors reach **retirement age** over the next three years

51 – 73

Average age: **66**

2018 Director Nominees

Name and Primary Occupation	Director Since	Age	Ind.	COMMITTEES A	C	G	E	F
John F. Bergstrom Chairman and Chief Executive Officer, Bergstrom Corporation	1987	71	✓	●	★		●	
Barbara L. Bowles (Presiding Director) Retired Vice Chair, Profit Investment Management	1998	70	✓	●		★	●	
William J. Brodsky Chairman, Cedar Street Asset Management LLC	2015	73	✓					●
Albert J. Budney, Jr. Retired President, Niagara Mohawk Holdings, Inc.	2015	70	✓			●		
Patricia W. Chadwick President, Ravengate Partners, LLC	2006	69	✓	●				●
Curt S. Culver Non-Executive Chairman, MGIC Investment Corporation	2004	65	✓			●		★
Danny L. Cunningham Retired Partner and Chief Risk Officer, Deloitte & Touche LLP	2018	62	✓	●				
William M. Farrow III Chairman, Chief Executive Officer and owner, Winston and Wolfe LLC	2018	62	✓					●
Thomas J. Fischer Principal, Fischer Financial Consulting LLC	2005	70	✓	★	●		●	
Gale E. Klappa Chairman of the Board and Chief Executive Officer, WEC Energy Group, Inc.	2003	67					★	
Henry W. Knueppel Retired Chairman and Chief Executive Officer, Regal Beloit Corporation	2013	69	✓	●		●		
Allen L. Leverett President, WEC Energy Group, Inc.	2016	51					●	
Ulice Payne, Jr. Managing Member, Addison-Clifton, LLC	2003	62	✓		●		●	●
Mary Ellen Stanek Managing Director & Director of Asset Management, Baird Financial Group	2012	61	✓					●

Ages as of January 18, 2018 nomination date

★ Committee Chair **Board Committees:** A = Audit and Oversight; C = Compensation; G = Corporate Governance; E = Executive; F = Finance

2017 MEETINGS OF THE BOARD

9 Board meetings

6 Audit and Oversight Committee meetings

6 Compensation Committee meetings

5 Finance Committee meetings

4 Corporate Governance Committee meetings

2 Executive Committee meetings

Total Board and Committee meetings: **32**

2017 Performance Spotlight

WEC Energy Group achieved solid results and continued to create long-term value for our stockholders and customers by focusing on reliability, operating efficiency, financial discipline, customer care, and safety.

NOTABLE ACHIEVEMENTS

WEC Energy Group named one of the **top 50 corporate citizens** in America by Corporate Responsibility magazine

We Energies named **most reliable utility** in America for the third time *(also in 2004 and 2013)*

AND in the Midwest for 7th consecutive year

Wisconsin Public Service named **best midsize electric utility** in the Midwest for business customer satisfaction

Minnesota Energy Resources received the **Governors Safety Award**

FINANCIAL PERFORMANCE

Net Income
Highest net income in company history

EPS
Highest earnings per share in company history; consistently beat guidance over the last 10 years

GAAP   Adjusted   * See Appendix A on page P-76 for reconciliation of non-GAAP measures

Authorized Rate of Return
Each of our regulated utility subsidiaries earned its allowed rate of return in 2017

Dividends

2018: quarterly dividend raised to $0.5525 per share, equivalent to an annual dividend rate of $2.21 per share

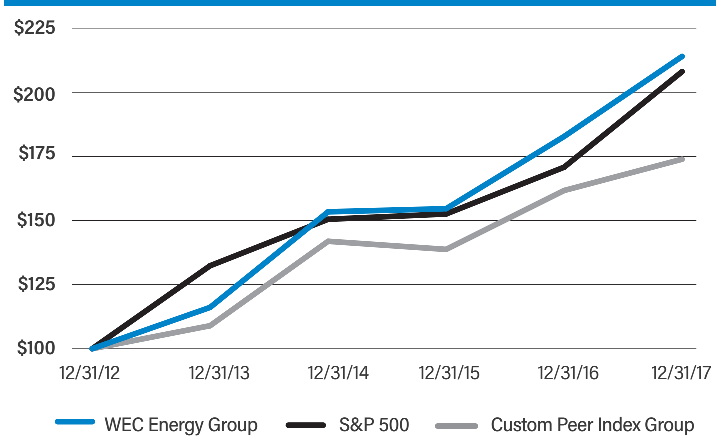
2017: quarterly dividend of 52 cents/share, $2.08 annualized

15 consecutive years of dividend **increases** (2004-2018)

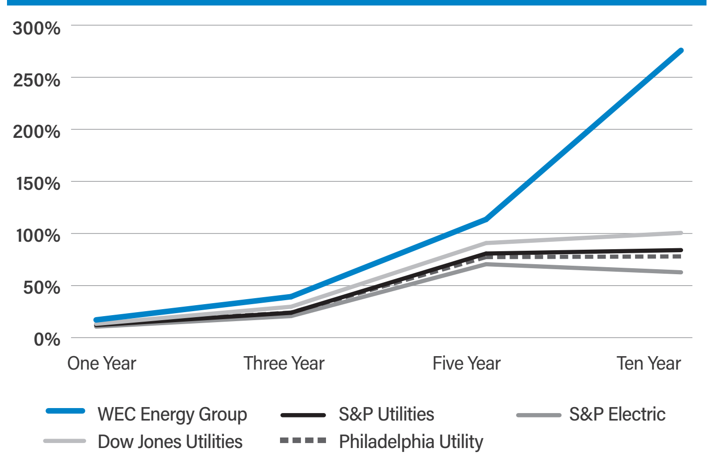
75 consecutive years of delivering quarterly dividends (1942-2017)

STOCKHOLDER RETURNS

FIVE-YEAR CUMULATIVE RETURN (1)



INDUSTRY-LEADING TOTAL SHAREHOLDER RETURNS



(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, 2012. For information about the Custom Peer Index Group, see page F-92 in the Company's 2017 Annual Report.

Source: Bloomberg; assumes all dividends are reinvested and returns are compounded daily.

Compensation Program Spotlight

Responsive to Stockholder Interests

While we maintain a largely consistent approach to our compensation program from year-to-year, we incorporate industry best practices based upon input from stockholders and our compensation consultant. Examples of changes we've made to our program over the last four years as a result of this input are summarized below.

2014

- Adopted clawback policy
- Adopted policy prohibiting tax gross-ups in any new executive arrangements

2015

- Added cash flow as additional short-term incentive performance measure
- Added "double trigger" for vesting of performance units upon change in control
- Retained independent compensation consultant; annually assess and re-engage

2016

- Revised executive compensation peer group methodology
- Adjusted dividend equivalent payout to occur at end of three-year performance period

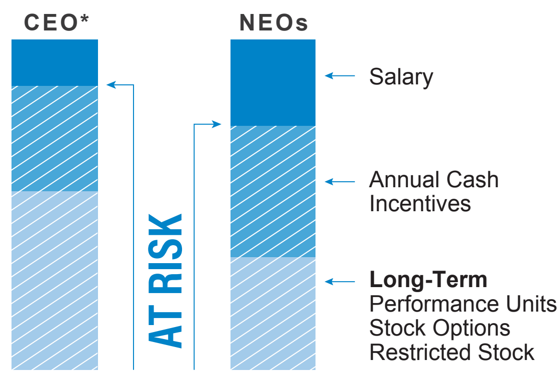
2017

- Added authorized ROE as an additional long-term incentive performance measure
- Increased CEO's required holdings of Company stock from 5x to 6x base salary

At-Risk Compensation

The executive compensation program has been designed so that total direct compensation ("TDC") is strongly tied to the achievement of our short-term and long-term goals.

- A substantial portion of pay is "at risk" and, generally, the value will only be realized upon strong overall corporate performance.
- Approximately 88% of our CEO's TDC, and an average of 76% of the other NEOs' TDC, is tied to Company performance and is not guaranteed.



* Based upon metrics for Allen Leverett

Performance-Based Pay

At the Company's 2017 annual meeting of stockholders, approximately 95 percent of the votes cast on the "Say-on-Pay" proposal were voted in support of the non-binding advisory vote on the compensation of our named executive officers. The Company's 2017 compensation program was substantially similar to the 2016 program design and is summarized below.

	Salary	Annual Incentive	Performance Unit Plan	Stock Options and Restricted Stock
When Granted	Reviewed Annually			
Performance Type	Short-Term		Long-Term	
Award Type	Cash		Equity*	
Performance Period	Ongoing	1 year	3 Years	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: • TSR • Authorized ROE (new in 2017)	Formulaic; Market data

* Performance units are settled in cash.

A comprehensive discussion of our executive compensation program, "Compensation Discussion and Analysis," begins on page P-39 of this Proxy Statement.

PROXY STATEMENT

This proxy statement is being furnished to stockholders beginning on or about March 22, 2018, 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 Annual Meeting of Stockholders on Thursday, May 3, 2018 (the "Meeting") at 10:00 a.m., Central time, at Concordia University Wisconsin in the R. John Buuck Field House located at 12800 North Lake Shore Drive, Mequon, Wisconsin 53097, and at all adjournments or postponements of the Meeting, for the purposes listed in the Notice of the 2018 Annual Meeting of Stockholders.

PROPOSAL 1: ELECTION OF DIRECTORS – TERMS EXPIRING IN 2019

WEC Energy Group's bylaws require each director to be elected annually to hold office for a one-year term. Because this is an uncontested election, 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 14 persons in the election of directors.

The Board requires its current and potential directors to have a broad range of skills, education, abilities, experience, and qualifications that will benefit WEC Energy Group and our stockholders. Information regarding the specific criteria and processes used to evaluate director nominees can be found on page P-14.

Factored into the Board's ongoing succession planning have been discussions related to the fact there will be a number of directors who will be retiring in the course of the next three years, which prompted the Board to actively search for director candidates with specific skills in mind. Effective December 31, 2017, Paul W. Jones retired from the Board. Two new directors were subsequently elected as part of our Board succession plan: William M. Farrow III effective January 1, 2018 and Danny L. Cunningham effective January 10, 2018. The Board elected Mr. Farrow, in part, to address the Board's desire to increase the level of experience in IT and cybersecurity and maintain the presence of an Illinois resident on our Board, given the Company's significant presence there. The Board also elected Mr. Cunningham due to, among other things, his strong background in accounting and risk oversight. Messrs. Cunningham and Farrow were initially recommended to the chair of the Corporate Governance Committee by certain non-management directors.

With respect to Mr. Leverett, at the time of his nomination by the Board in January and as of the issuance of this proxy statement, he continued to make steady progress in his recovery from a stroke that he suffered in October 2017.

The Board's nominees for election are:

- **John F. Bergstrom**
- **Barbara L. Bowles**
- **William J. Brodsky**
- **Albert J. Budney, Jr.**
- **Patricia W. Chadwick**
- **Curt S. Culver**
- **Danny L. Cunningham**
- **William M. Farrow III**
- **Thomas J. Fischer**
- **Gale E. Klappa**
- **Henry W. Knueppel**
- **Allen L. Leverett**
- **Ulice Payne, Jr.**
- **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. Information regarding each nominee is included on the following pages.

The Board of Directors recommends that you vote "FOR" all of the director nominees.

DIRECTOR NOMINEES

Criteria and Processes Used to Evaluate Nominees

The Corporate Governance Committee evaluates director nominees in the context of the Board as a whole with the goal of recommending nominees with diverse backgrounds and experience that, together, can best perpetuate the success of WEC Energy Group's business and represent stockholder interests. In addition to evaluating director nominees on the basis of the director candidate criteria, Board diversity, and independence as described on page P-66, the Corporate Governance Committee has determined, through the Board succession planning process, that the Board should consist of candidates that collectively possess the following core competencies in order to effectively carry out its oversight function. By adhering to this philosophy, the Board avoids director candidates with a narrow focus or set of experiences. Core competencies, qualifications, and experience for each director are listed in their respective biographies under the heading "Nominees for Election to the Board of Directors." Just because a core competency is not associated with a director should not be taken as an indicator such director does not posses those particular skills.

Core Competencies

CEO/Senior Leadership
Directors who have significant senior leadership experience as a CEO or senior executive demonstrate a practical understanding of an organization and its operational processes, enterprise risks, and strategy, and are able to recognize leadership skills in others.

Financial Strategy/Investment Management/Investor Relations
It is important that our directors have expertise in evaluating financial plans, policies, and strategies, including capital structure, debt programs, and equity financings. Directors with an understanding of investments and investment-making policy add significant value in assessing investment approaches and performance.

Audit Oversight/Financial Reporting
Directors with expertise in financial reporting, internal controls, and audit functions are critical to effective oversight of the Company's accurate preparation of financial statements and disclosures, and of compliance with legal and regulatory requirements.

Regulated Industry Knowledge
Our businesses are heavily regulated and directly affected by multiple state and federal regulatory agencies. These regulations significantly influence the Company's operating environment and its financial condition. Directors with experience in highly regulated businesses bring relevant context to discussions on the strategic impact of these regulations.

Extensive Knowledge of the Company's Business and/or Industry
Directors with leadership and operational experience in our industry bring a practical understanding of the technical nature of the Company's business, which allows for thoughtful deliberation in discussing the intricacies of achieving operational excellence.

Government/Public Policy
Directors who have experience working with government organizations and public policy provide valuable input as management considers the strategic impact of new and changing legislative acts and policies, as well as judicial decisions that affect the utility industry.

Innovation/Technology
The industry in which our Company conducts business is complex and experiencing ongoing transformation. Digital and other technological advances are changing energy policy and markets, as well as creating new sources of risk that challenge the protection of systems and assets against physical and cyber threats. The Company believes all stockholders are well served by the presence of directors with knowledge in these areas.

Risk Management and Oversight
Directors with expertise in risk management and oversight can provide keen insights that are critical to the Company as it manages comprehensive practices and policies used to effectively identify and mitigate risks that arise across every area of the organization.

Talent Management/Executive Compensation
Our Company operates in a highly technical and complex industry, which necessitates a strong focus on talent management. Directors with experience in acquiring new talent, establishing a competitive compensation and benefit package, and succession planning are critical to the Company's ability to implement strategies aimed at attracting and retaining human capital.

Corporate Governance
The Company strives to maintain and promote a framework of practices and policies through which the Board can assure stakeholders of the Company's accountability and transparency. It is important to have directors with strong expertise in corporate governance practices who work alongside management to ensure the Board maintains its focus on stockholder interests.

Customer Service
Providing exceptional customer care is one of the Company's fundamental objectives. Insight from directors who have served in organizations with the same focus assists management as it seeks to continually enhance our processes in order to effectively and efficiently serve the needs of its broad customer base.

Environmental Issues/Corporate Social Responsibility
Our Company is focused on serving its customers and supporting our communities as a responsible corporate citizen, while also balancing the delivery of safe, reliable, and affordable energy with a commitment to protecting the environment and contributing positively to society at large. Directors who have experience assessing business risks and growth opportunities through the lens of ESG factors provide valuable input to strategic decision making.

Strategic Planning
Amid unprecedented business and technological innovation and transformation, the Company must continue to maximize its financial and operational performance. Directors with expertise in strategic planning can help management identify ways to adjust its strategy in response to the changing environment, while maintaining long-term value creation.

Director Candidate Criteria
The Corporate Governance Committee has established criteria for evaluating director candidates, as set forth in the Company's Corporate Governance Guidelines, which include: proven integrity; mature and independent judgment; vision and imagination; ability to objectively appraise problems; ability to evaluate strategic options and risks; sound business experience and acumen; relevant technological, political, economic, or social/cultural expertise; social consciousness; achievement of prominence in career; familiarity with national and international issues affecting the Company's businesses; contribution to the Board's desired diversity and balance; and, in the case of new directors, availability to serve for five years before reaching the directors' retirement age of 72.

As stated in its charter, the Corporate Governance Committee reviews these criteria annually; in mid-2017, the Committee completed its review and had no recommended changes. In selecting the 2018 nominees for director, the Corporate Governance Committee determined that the candidates fulfill these criteria.

Director Brodsky. During 2016, Director Brodsky reached retirement age. The Corporate Governance Committee discussed this matter in January 2017 and again in January 2018 and agreed that Director Brodsky's long history living and working in, and deep knowledge of, the metro-Chicago area, as well as his strong strategic relationships, continue to provide special expertise to the Board that is helpful to the successful operations of the Company's Illinois utilities. As a result, upon the recommendation of the Corporate Governance Committee, the Board of Directors approved Director Brodsky's continued service beyond age 72 and nominated him to continue serving as a director for a term expiring in 2019.

Board Diversity
The Corporate Governance Committee does not have a specific policy with regard to the consideration of diversity in identifying director nominees. However, the Corporate Governance Committee strives to cast a wide net and recommend candidates who each bring a unique perspective to the Board in order to contribute to the collective diversity of the Board. As part of its process, in connection with the nomination of directors to the Board, the Corporate Governance Committee considers several factors to ensure the entire Board collectively embraces a wide variety of characteristics, including professional background, experience, skills, and knowledge, as well as the criteria listed above. Each candidate will generally exhibit different and varying degrees of these characteristics. With respect to the Company's current slate of director nominees, the Company also benefits from the diversity inherent from differences in Board member gender, ethnicity, tenure, and maturity as depicted on the infographic on page P-9.

Director Independence
Prior to nomination, both new and returning directors are evaluated to ensure compliance with the Board's standards of independence, as described in detail on page P-66. Additionally, the Corporate Governance Committee reviews potential conflicts of interest, including 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 has affirmatively determined that Directors Bergstrom, Bowles, Brodsky, Budney, Chadwick, Culver, Cunningham, Farrow, Fischer, Knueppel, Payne, and Stanek have no relationships described in the Board's standards of independence noted above and otherwise have no material relationships with WEC Energy Group, and are, therefore, independent. The Board had also determined that Paul W. Jones, who retired as a director effective December 31, 2017, was independent. Directors Klappa and Leverett are not independent due to their employment with WEC Energy Group.

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. The Board reviewed the terms of this engagement, including the approximately $648,750 in fees paid to Baird in 2017 (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.

Director Nominee Evaluation Process
Once a person has been identified by the Corporate Governance Committee 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 person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Corporate Governance Committee requests additional information from the candidate, reviews the person's 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's accomplishments.

The Corporate Governance Committee evaluates director candidates, including those proposed by stockholders, using this criteria and process. The process is designed to provide the Board with a diversity of experience and stability to allow it to effectively meet the many challenges WEC Energy Group faces in today's challenging economic environment.

Nominees for Election to the Board of Directors

The following 14 individuals have been nominated for election to the Board of Directors at the Annual Meeting. Biographical information for each director nominee is set forth below. Ages are as of January 18, 2018, the date each person was designated as a nominee of the Board for election at the Meeting.

John F. Bergstrom

Age: 71

Director Since: 1987

Board Committees: Audit and Oversight; Compensation (Chair); Executive

Core Competencies: Senior Leadership/CEO Experience; Talent Management/Executive Compensation; Strategic Planning; Customer Service.

- Bergstrom Corporation - Chairman and CEO since 1982. Bergstrom Corporation owns and operates numerous automobile sales and leasing companies.
- Director of Advance Auto Parts Inc. since 2008; Director of Associated Banc-Corp since 2010; Director of Kimberly-Clark Corporation since 1987.
- Director of WEC Energy Group since 1987; Director of Wisconsin Electric Power Company from 1985 to June 2015.

Specific qualifications and experience

Mr. Bergstrom brings to our Board of Directors 35 years of leadership experience as CEO of Bergstrom Corporation, one of the top 50 automotive dealership groups in America. With significant business operations in WEC Energy Group utilities' service territories and customer service perspective, Mr. Bergstrom brings strong insight with respect to the needs and concerns of WEC Energy Group's large retail customers, as well as perspective on the business environment in the State of Wisconsin, home to WEC Energy Group's corporate headquarters and our largest utility subsidiaries. His deep governance knowledge, which includes over 50 years of combined experience as a director on the boards of other publicly traded U.S. corporations and regional nonprofit entities, including the Green Bay Packers, Inc., is particularly valuable to board and committee discussions focused on executive compensation and succession planning matters, as well as strategic planning initiatives. With a focus on excellence, Mr. Bergstrom has attained the National Association of Corporate Directors ("NACD") top designation of Board Leadership Fellow, and, in 2017, he was named to the NACD Directorship 100, which recognizes the top one hundred most influential people who effect the work in our nation's boardrooms.

Barbara L. Bowles

Age: 70

Director Since: 1998

Board Committees: Audit and Oversight; Corporate Governance (Chair); Executive

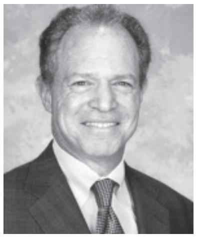
WEC Board: Presiding Director

Core Competencies: Corporate Governance; Financial Strategy/ Investment Management/Investor Relations; Audit Oversight/Financial Reporting; Extensive Knowledge of Company's Business and/or Industry.

- Profit Investment Management - Retired Vice Chair. Served as Vice Chair from January 2006 until retirement in December 2007. Profit Investment Management is an investment advisory firm.
- The Kenwood Group, Inc. - Retired Chairman. Served as Chairman from 2000 until 2006 when The Kenwood Group, Inc. merged into Profit Investment Management. CEO from 1989 to 2005.
- Director of Hospira, Inc. from 2008 to 2015.
- Director of WEC Energy Group since 1998; Director of Wisconsin Electric Power Company from 1998 to June 2015.

Specific qualifications and experience

As founder, CEO, and retired Chairman of The Kenwood Group, Inc., a Chicago-based investment advisory firm that managed pension funds for corporations, public institutions, and endowments, Ms. Bowles, who is a Chartered Financial Analyst, brings over 20 years of investment advisory experience to our Board of Directors. Having also served as a portfolio manager and utility analyst for more than 10 years, and as a chief investor relations officer for two Fortune 50 companies, she contributes valuable perspective as to what issues are important to large investors. In the role of Chief Compliance Officer of Profit Investment Management, Ms. Bowles gained a deep understanding of corporate governance issues and concerns, experience she applies to her positions as Chair of WEC Energy Group's Corporate Governance Committee and independent presiding director. She also contributes valuable risk management and financial reporting insights as a member of the Audit and Oversight Committee, expertise she developed from current and past service as a director on the boards of several other public companies where she has served on the audit and finance committees. With utility subsidiaries located in Chicago, the Board of Directors also benefits from the economic and political perspectives Ms. Bowles provides as a result of her involvement in several important non-profit organizations in Chicago.



William J. Brodsky

Age: 73

Director Since: 2015

Board Committee: Finance

Core Competencies: Senior Leadership/CEO Experience; Corporate Governance; Financial Strategy/ Investment Management/Investor Relations; Government/Public Policy.

- Cedar Street Asset Management LLC - Chairman since 2016. Cedar Street Asset Management LLC is a Chicago-based portfolio management firm that specializes in investments in international equities.
- The Chicago Board Options Exchange - Chairman of the Board from May 2014 to February 2017. Served as Executive Chairman from 2013 to May 2014 and Chairman and CEO from 1997 to 2013.
- CBOE Holdings, Inc. - Chairman of the Board from May 2014 to February 2017. Served as Executive Chairman from 2013 to May 2014 and Chairman and CEO from 2010 to 2013. CBOE Holdings, Inc. is the holding company for The Chicago Board Options Exchange, an exchange that focuses on options contracts for individual equities, indexes, and volatility (VIX), and the CBOE Futures Exchange which offers volatility futures.
- Director of WEC Energy Group since June 2015; Director of Integrys Energy Group from February 2007 to June 2015.

Specific qualifications and experience

Mr. Brodsky brings to our Board of Directors extensive finance, regulatory, and business management experience gained from nearly 35 years of combined service as CEO of The Chicago Board Options Exchange, CBOE Holdings, Inc., and the Chicago Mercantile Exchange. His over 40 years of experience in the financial markets industry, and recognition as a leading industry advocate in securities, commodities and futures markets policy and regulation, is particularly valuable in his service on the WEC Energy Group Finance Committee where he can apply his keen insights to the Company's financial strategy and investment management matters. Mr. Brodsky's extensive knowledge of the economic and governmental challenges as well as policy issues facing a public company doing business in Illinois is of great value to the Board, as is his extensive past and present experience serving on the boards of numerous highly-visible not-for-profit organizations in the metro Chicago area.

Albert J. Budney, Jr.

Age: 70

Director Since: 2015

Board Committee: Corporate Governance

Core Competencies: Senior Leadership/CEO Experience; Extensive Knowledge of Company's Business and/or Industry; Regulated Industry Knowledge; Environmental Issues/ Corporate Social Responsibility.

- Niagara Mohawk Holdings, Inc. - Retired President and Director. Niagara Mohawk Holdings, Inc. is a holding company that distributes electricity in areas of New York through its utility subsidiaries.
- Director of WEC Energy Group since June 2015; Director of Integrys Energy Group from February 2007 to June 2015.

Specific qualifications and experience

With over 40 years of utility experience in senior leadership positions, Mr. Budney brings to our Board of Directors extensive knowledge in managing the operations of a utility company and the complexities that arise from operating in a highly-regulated industry. He has acquired considerable board experience in utility industry mergers and acquisitions, having served as a director of Niagara Mohawk Holdings when it was acquired by National Grid. Further, he was serving as a director of WPS Resources Corporation when it purchased Peoples Energy Corporation, subsequently changing its name to Integrys Energy Group, and has since been acquired by WEC Energy Group. With respect to environmental issues, Mr. Budney brings to the Board insights he gained while President of Niagara Mohawk Holdings, where the Vice President of Environmental Affairs was among his direct reports. This provided Mr. Budney with experience he applied as a founding member of the Environmental Committee of the Board at Integrys Energy Group. Having also served as the Chair of the Corporate Governance Committee and lead director of Integrys Energy Group, Mr. Budney's broad knowledge in governance, customer service, and corporate management matters are very valuable to the Board in carrying out its oversight in these areas.

Patricia W. Chadwick

Age: 69
Director Since: 2006
Board Committees: Audit and Oversight; Finance
Core Competencies: Financial Strategy/Investment Management/ Investor Relations; Audit Oversight/ Financial Reporting; Strategic Planning; Extensive Knowledge of Company's Business and/or Industry.

- 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 (previously ING Mutual Funds) since 2006; Director of The Royce Funds since 2009.
- Director of WEC Energy Group since 2006; Director of Wisconsin Electric Power Company from 2006 to June 2015.

Specific qualifications and experience

Ms. Chadwick, who is a Chartered Financial Analyst, brings to our Board of Directors extensive investment management expertise gained from 30 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, independent research, and global economic activity since 1999, Ms. Chadwick's insights into what the investment industry is thinking and discussing is of great value to the Board as it contemplates its financial plan and strategy. Her knowledge on capital markets is particularly helpful to WEC Energy Group and its subsidiaries which operate in a capital intensive industry and must consistently access the capital markets. Ms. Chadwick serves as a director on the boards of two registered investment companies, VOYA Mutual Funds and The Royce Funds, which afford her a perspective on current issues and concerns of today's investors, and she is a board director and Finance Committee member of AMICA Mutual Insurance Company, where she has gained a deep understanding of insurance risk management matters; she applies these to her role on the WEC Energy Group Finance Committee.

Curt S. Culver

Age: 65
Director Since: 2004
Board Committees: Corporate Governance; Finance (Chair)
Core Competencies: Senior Leadership/CEO Experience; Risk Management/Oversight; Corporate Governance; Financial Strategy/ Investment Management/Investor Relations.

- 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 from 2004 to June 2015.

Specific 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 of Directors a strong working knowledge of the strategic, economic, and compliance issues facing a large publicly-traded company headquartered in Milwaukee, Wisconsin. As chair of the Finance Committee, he provides expertise in the financial markets and risk assessment and management; his experience in the insurance industry also puts him in a position to advise on the Company's insurance program and its effect on overall risk management. Mr. Culver's broad corporate governance experience from his extensive past and present service on the boards of several highly-visible Milwaukee-area non-profit entities and two private for-profit organizations is of great value to the Board.

Danny L. Cunningham

Age: 62

Director Since: 2018

Board Committees: Audit and Oversight

Core Competencies: Audit Oversight/ Financial Reporting; Risk Management/ Oversight; Talent Management/ Executive Compensation; Strategic Planning.

- 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 Actuant Corporation since 2016.
- Director of WEC Energy Group since January 2018.

Specific qualifications and experience

Mr. Cunningham brings to our Board of Directors 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: 62

Director Since: 2018

Board Committees: Finance

Core Competencies: Senior Leadership/CEO Experience; Innovation/Technology; Audit Oversight/ Financial Reporting; Risk Management/ Oversight .

- Winston and Wolfe, LLC - Chairman and Chief Executive Officer. Winston and Wolfe LLC is a privately held technology development and advisory company.
- Urban Partnership Bank - Retired President and CEO. 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.

Specific qualifications and experience

Mr. Farrow brings to our Board of Directors more than 39 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's 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 the City of Chicago, Mr. Farrow is also able to provide the Board with economic and public policy insight as it relates to conducting business in the City, 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: 70

Director Since: 2005

Board Committees: Audit and Oversight (Chair); Compensation; Executive

Core Competencies: Audit Oversight/ Financial Reporting; Risk Management/ Oversight; Strategic Planning; Extensive Knowledge of Company's Business and/or Industry.

- Fischer Financial Consulting LLC - Principal since 2002. Fischer Financial Consulting LLC provides consulting on corporate financial, accounting, and governance matters.
- Director of 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 from 2005 to June 2015.

Specific qualifications and experience

Mr. Fischer provides our Board of Directors 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.

Gale E. Klappa

Age: 67

Director Since: 2003

Board Committee: Executive (Chair)

Core Competencies: Senior Leadership/CEO Experience; Financial Strategy/Investment Management/Investor Relations; Extensive Knowledge of Company's Business and/or Industry; Strategic Planning.

- WEC Energy Group, Inc. – Chairman of the Board and Chief Executive Officer from 2004 to May 2016 and October 2017 to present; Non-Executive Chairman of the Board from May 2016 to October 2017; President from 2003 to August 2013.
- Wisconsin Electric Power Company – Chairman of the Board from 2004 to May 2016 and January 2018 to present; Chief Executive Officer from 2003 to May 2016 and January 2018 to present; President from 2003 to June 2015.
- Director of Associated Banc-Corp since 2016; Director of Badger Meter, Inc. since 2010; Director of Joy Global Inc. from 2006 to 2017.
- Director of WEC Energy Group, Inc. since 2003; Director of Wisconsin Electric Power Company from 2003 to May 2016 and January 2018 to present.
- Mr. Klappa also serves as an executive officer and/or director of several other major subsidiaries of WEC Energy Group.

Specific qualifications and experience

Mr. Klappa has more than 40 years of experience working in the public utility industry, including 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 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 the utility sector. In October 2017, the Company's then-CEO, Allen Leverett, suffered a stroke. In response, the Board appointed Mr. Klappa to serve in the role of CEO, while also having him retain his role of Board Chairman.

Mr. Klappa's deep knowledge of the Company's industry, customers, stockholders, and management team has allowed for strong continuity during Mr. Leverett's absence.

Henry W. Knueppel

Age: 69

Director Since: 2013

Board Committees: Audit and Oversight; Corporate Governance

Core Competencies: Senior Leadership/CEO Experience; Strategic Planning; Financial Strategy/Investment Management/Investor Relations; Innovation/Technology.

- 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. 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 from 2013 to June 2015.

Specific 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 of Directors. 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 equipment used in the Company's operations. He currently serves on the boards of several large, publicly-traded industrial companies and provides the Board with perspective on operational and customer service matters the Company faces with our large commercial and industrial customers. Mr. Knueppel also brings to the Board a wide range of knowledge and experience in board governance, having served for more than 30 years as a director for several publicly-traded companies, including his role as the independent, nonexecutive chairman of the board of Harsco Corporation.

Allen L. Leverett

Age: 51

Director Since: 2016

Board Committee: Executive

Core Competencies: Regulated Industry Knowledge; Financial Strategy/Investment Management/Investor Relations; Senior Leadership/CEO Experience; Risk Management/Oversight.

- WEC Energy Group, Inc. - CEO from May 2016 to October 2017; President since August 2013; Executive Vice President from 2004 through July 2013; Chief Financial Officer ("CFO") from 2003 until 2011. Mr. Leverett also served as the principal executive officer of WEC Energy Group's generation operations from 2011 to May 2016.
- Wisconsin Electric Power Company - Chairman of the Board and CEO from May 2016 through December 2017; President from June 2015 to May 2016; Executive Vice President from 2004 through June 2015; CFO from 2003 until 2011.
- Director of WEC Energy Group since January 2016; Director of Wisconsin Electric Power Company from June 2015 to January 2018.

Specific qualifications and experience

Having worked in the public utility industry for nearly 25 years, Mr. Leverett has developed a deep understanding of the complexities of the Company's industry, operations, and regulatory environment, while having built extensive leadership experience. Prior to joining the Company, Mr. Leverett served in executive positions at Georgia Power and Southern Company Services, where he held overall responsibility for financial planning and analysis, capital markets and leasing, treasury, and investor relations. He joined the Company in 2003 as Chief Financial Officer and has proceeded to hold numerous executive positions, including President and CEO of the Company's power generation group, with overall responsibility for the electric generation portfolio, fuel procurement, environmental compliance, and renewable energy development strategy. Following the Company's acquisition of Integrys Energy Group in June 2015, Mr. Leverett served as President of the Company's utilities located in Wisconsin, Michigan, and Minnesota through early 2016. Effective May 1, 2016, Mr. Leverett was appointed as Chief Executive Officer of WEC Energy Group, Inc. and served in that role until October 2017 when he suffered a stroke and took a leave of absence to recover. Mr. Leverett's experience and insights in running a regulated public company are critical to the Board as it carries out its oversight responsibilities.

Ulice Payne, Jr.

Age: 62
Director Since: 2003
Board Committees: Compensation; Executive; Finance
Core Competencies: Risk Management/Oversight; Corporate Governance; Financial Strategy/Investment Management/Investor Relations.

- 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 since 2005.
- Director of WEC Energy Group since 2003; Director of Wisconsin Electric Power Company from 2003 to June 2015.

Specific qualifications and experience

Mr. Payne brings to our Board of Directors strong business leadership experience within the local Milwaukee community and State of Wisconsin, previously serving in roles that included the Securities Commissioner for the state of Wisconsin, managing partner of the Milwaukee law office of Foley & Lardner, and president and CEO of the Milwaukee Brewers Baseball Club, Inc. In addition, Mr. Payne is and has been 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.

Mary Ellen Stanek

Age: 61
Director Since: 2012
Board Committee: Finance
Core Competencies: Financial Strategy/Investment Management/Investor Relations; Senior Leadership/CEO Experience; Risk Management/Oversight; Talent Management/Executive Compensation.

- 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 from 2012 to June 2015.

Specific qualifications and experience

Ms. Stanek, who is a Chartered Financial Analyst, brings to our Board of Directors her extensive financial and investment strategy expertise, resulting from over 35 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 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 the workforce, as well as customer concerns.

COMMITTEES OF THE BOARD OF DIRECTORS

Members	Principal Responsibilities; Meetings
Audit and Oversight Thomas J. Fischer, Chair John F. Bergstrom Barbara L. Bowles Patricia W. Chadwick Danny L. Cunningham Henry W. Knueppel	• 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. • Prepare the report required by the SEC for inclusion in the proxy statement. • Establish procedures for the submission of complaints and concerns regarding WEC Energy Group's accounting or auditing matters. • The Audit and Oversight Committee conducted six meetings in 2017.
Compensation John F. Bergstrom, Chair Thomas J. Fischer Ulice Payne, Jr.	• Identify through succession planning potential executive officers. • Provide competitive, performance-based executive and director compensation programs. • Set performance goals for the CEO, annually evaluate the CEO's performance against such goals, and determine compensation adjustments based on whether these goals have been achieved. • Prepare the report required by the SEC for inclusion in the proxy statement. • The Compensation Committee conducted six meetings in 2017 and executed two written unanimous consents.
Corporate Governance Barbara L. Bowles, Chair Albert J. Budney, Jr. Curt S. Culver Henry W. Knueppel	• 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. • The Corporate Governance Committee conducted four meetings in 2017 and executed one written unanimous consent.
Finance Curt S. Culver, Chair William J. Brodsky Patrica W. Chadwick William M. Farrow III Ulice Payne, Jr. Mary Ellen Stanek	• 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 with respect to risk assessment and risk management. • Approve the Company's financial plan, including the capital budget. • The Finance Committee conducted five meetings in 2017 and executed one written unanimous consent.

Executive Committee. 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), John F. Bergstrom, Barbara L. Bowles, Thomas J. Fischer, Allen L. Leverett, and Ulice Payne, Jr. The Executive Committee met twice in 2017.

In addition to the number of committee meetings listed in the preceding table, the Board met nine times in 2017 and executed three written unanimous consents. With the exception of Mr. Leverett, all directors attended more than 75% of the total number of meetings of the Board and Board committees on which he or she served. Leading up to October when Mr. Leverett suffered a stroke and took a leave of absence to recover, his attendance rate was 100%; at year-end, it was 55.6%. The average Board meeting attendance during the year, which reflects Mr. Leverett's attendance to October, is over 92%.

Generally, all directors are expected to attend the Company's Annual Meetings of Stockholders. All directors attended the Annual Meeting of Stockholders held on May 4, 2017.

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 achieve the Company's 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 Frederic W. Cook & Co., Inc. ("FW Cook") during 2017 for this purpose. Directors who also serve as executives of the Company do not receive additional compensation for service as a director.

2017 Compensation of the Board of Directors

The following table describes the components of the non-management director compensation program during 2017. 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	2017 Non-Management Director Compensation Program
Annual Cash Retainer	
• Non-Management Director	$100,000, which may be deferred at the director's option
• Additional if Non-Executive Chair	$125,000, which may be deferred at the director's option
Annual Equity Retainer	
• Non-Management Director	$125,000 in restricted stock which vests one year from grant date
• Additional if Non-Executive Chair	$125,000 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	$10,000 paid in $2,500 quarterly increments
• Finance	$10,000 paid in $2,500 quarterly increments
Board and Committee Meeting Fees	None
Stock Ownership Guideline	Ownership of common stock or deferred stock units that have a value equivalent to five times the annual cash retainer 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 below.

The Company reimburses directors for all out-of-pocket travel expenses. These reimbursed amounts are not reflected in the table below.

Deferred Compensation Plan. Non-management directors may defer all or a portion of their cash fees pursuant to the Directors' Deferred Compensation Plan. Effective January 1, 2017, 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 following termination of the director's service to WEC Energy Group. Deferred amounts will be paid out of general corporate assets or the assets of the Wisconsin Energy Corporation 2014 Rabbi Trust discussed 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 mitigates the net cost to the Company. The Directors' Charitable Awards Program has been eliminated for any new directors elected after January 1, 2007. Directors already participating as of that date are Messrs. Bergstrom, Culver, Fischer, Klappa, and Payne, and Mmes. Bowles and Chadwick.

Director Compensation Table. The following table summarizes the total compensation received by each of WEC Energy Group's non-management directors during 2017. Messrs. Cunningham and Farrow were elected to the Board in January 2018, and did not receive any compensation during 2017.

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	115,000	125,000	—	—	—	20,608	260,608
Barbara L. Bowles	110,000	125,000	—	—	—	26,639	261,639
William J. Brodsky	100,000	125,000	—	—	—	—	225,000
Albert J. Budney, Jr.	100,000	125,000	—	—	—	—	225,000
Patricia W. Chadwick	100,000	125,000	—	—	—	28,924	253,924
Curt S. Culver	110,000	125,000	—	—	—	20,711	255,711
Thomas J. Fischer	120,000	125,000	—	—	—	20,608	265,608
Paul W. Jones [(2)]	100,000	430,512[(3)]	—	—	—	—	530,512
Gale E. Klappa [(4)]	—	—	—	—	—	—	—
Henry W. Knueppel	100,000	125,000	—	—	—	—	225,000
Ulice Payne, Jr.	100,000	125,000	—	—	—	15,141	240,141
Mary Ellen Stanek	100,000	125,000	—	—	—	—	225,000

(1) Other than Mr. Brodsky (4,837 shares), Mr. Budney (4,837 shares), Mr. Jones (0 shares), and Mr. Klappa (7,456 shares), each director held 6,932 shares of restricted stock as of the close of business on December 31, 2017.

(2) Mr. Jones retired effective December 31, 2017, and is not standing for re-election at the Annual Meeting of Stockholders on May 3, 2018.

(3) In connection with Mr. Jones' retirement from the Board, and in consideration of his exemplary service and contributions helping the Company exceed its goals for cost savings and integration following the acquisition of Integrys Energy Group, effective December 31, 2017, the Compensation Committee accelerated the vesting of 4,837 shares of restricted stock previously awarded to Mr. Jones. The incremental fair value associated with the acceleration was $305,512, which is included in the reported amount.

(4) On October 12, 2017, the Board appointed Mr. Klappa as CEO of WEC Energy Group until Mr. Leverett is able to resume his duties. All compensation that Mr. Klappa received as a non-management director during 2017 is reported in the "Summary Compensation Table" on page P-46. While serving as Chairman of the Board and CEO, Mr. Klappa will not recieve any non-management director compensation.

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 2017 regardless of whether such retainers and fees were paid in cash or deferred.

Stock Awards. On January 3, 2017, each non-management director received his or her 2017 annual equity retainer in the form of restricted stock equal to a value of $125,000.

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 for the Directors' Charitable Awards Program. See "Legacy Charitable Awards Program" above for additional information.

2018 Compensation of the Board of Directors

In December 2017, 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 was below market median. As a result, the Compensation Committee recommended and the Board approved an increase of $10,000 in total non-management director compensation to be delivered entirely in equity. As a result, the annual restricted stock equity award was increased from $125,000 to $135,000 effective January 1, 2018. In addition, the Compensation Committee recommended and the Board approved increasing the annual chair fees for the Corporate Governance and Finance Committees from $10,000 to $15,000 each, effective January 1, 2018. The Compensation Committee concluded that it was appropriate for all other fees to remain unchanged from the approved 2017 levels.

PROPOSAL 2: RATIFICATION OF DELOITTE & TOUCHE LLP AS INDEPENDENT AUDITORS FOR 2018

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, 2018. 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 16 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 2018.

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) 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 chair of the Audit and Oversight Committee 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 pre-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 2017 and 2016, 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 Securities Exchange Act of 1934, as amended.

	2017	2016
Audit Fees (1)	$ 5,064,125	$ 4,886,950
Audit-Related Fees (2)	—	—
Tax Fees (3)	20,000	—
All Other Fees (4)	7,095	7,946
Total	$ 5,091,220	$ 4,894,896

(1) Audit Fees consist of fees for professional services rendered in connection with the audits of: (1) the annual financial statements of the Company and its subsidiaries, (2) the effectiveness of internal control over financial reporting, and (3) with 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."

(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. No such services were received from Deloitte & Touche LLP in 2016.

(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 2018, 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 2017. 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, 2017, 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.

In addition, we received the written disclosures and the letter 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, 2017 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
John F. Bergstrom
Barbara L. Bowles
Patricia W. Chadwick
Danny L. Cunningham
Henry W. Knueppel

PROPOSAL 3: ADVISORY VOTE TO APPROVE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

Pursuant to Section 14A of the Securities Exchange Act of 1934, 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 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 when making future decisions regarding executive compensation.

As described in the Compensation Discussion and Analysis on pages P-30 through P-45 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 2017 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 above, which describe in greater detail WEC Energy Group's compensation philosophy and programs, as well as the 2017 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 2018 Annual Meeting."

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 2017.

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.

2017 Business Highlights

We completed our second full year of combined utility operations as WEC Energy Group in 2017 following our acquisition of Integrys Energy Group in June 2015. During 2017, we made excellent progress in our continued efforts to integrate our employees, merge and improve business processes, and consolidate our IT infrastructure. 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

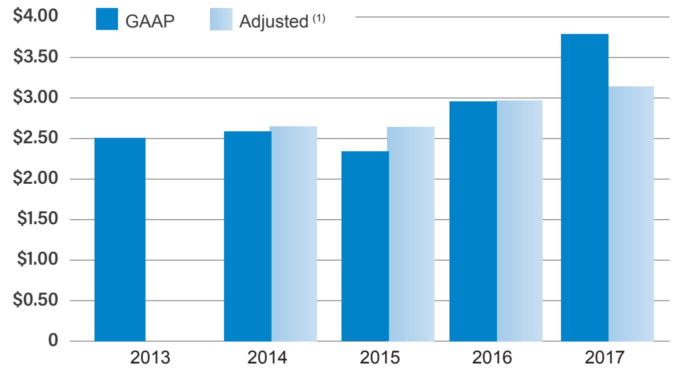
Commitment to Stockholder Value Creation. Financially, WEC Energy Group again delivered solid earnings growth, generated strong cash flow, and increased the dividend for the 14th consecutive year. In January 2017, the Board raised the quarterly dividend 5.1% to $0.5200 per share, equivalent to an annual rate of $2.08 per share. In January 2018, the Board increased the quarterly dividend to $0.5525 per share, which is equivalent to an annual rate of $2.21 per share, in line with our plan to maintain a dividend payout ratio of 65% to 70% of earnings. The Company also turned in aggregate above target performances in customer satisfaction and network reliability during 2017.

Specific Company achievements during 2017 include:

2017 Financial Highlights

- WEC Energy Group delivered solid earnings growth again, generated strong cash flow, and increased the dividend for the 14th consecutive year.
- We achieved fully diluted earnings per share and adjusted earnings per share of $3.79 and $3.14, respectively. (2)
- Each of our regulated utility subsidiaries earned its allowed rate of return.
- We returned approximately $656.5 million to WEC Energy Group stockholders through dividends.
- Our common stock traded at an all-time high of $70.09 on November 15, 2017.
- In January 2018, the Board raised the quarterly dividend to $0.5525 per share, which is equivalent to an annual dividend rate of $2.21 per share.

DILUTED EARNINGS 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, 2015, and 2014, excludes costs of $0.01, $0.30, and $0.06 per share, respectively, related to our acquisition of Integrys. See Appendix A on P-76 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.

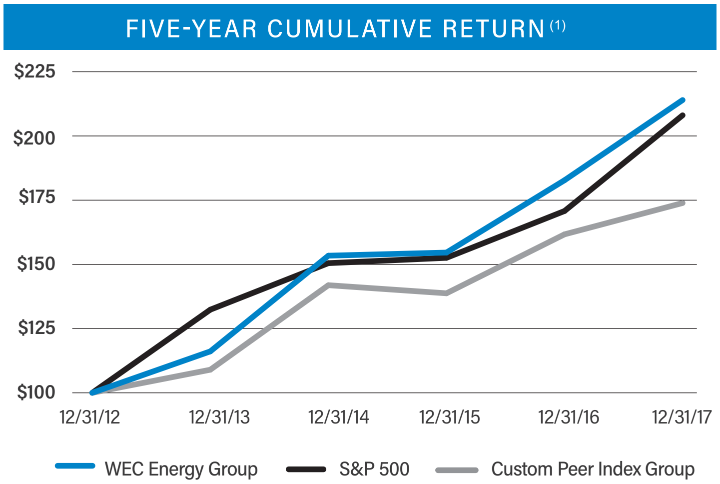
2017 Performance Highlights

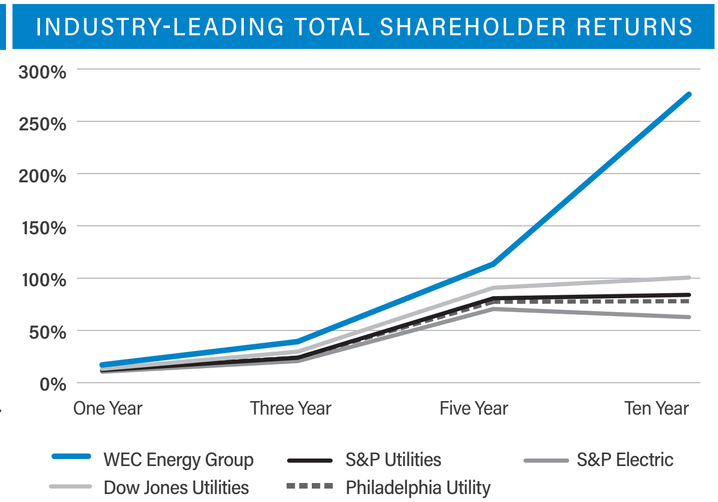
- WEC Energy Group was recognized in 2017 by Corporate Responsibility Magazine as one of the 50 best corporate citizens in America.
- PA Consulting Group named We Energies the most reliable utility in the United States in 2017, and in the Midwest for the seventh year in a row.
- Our utilities continued to balance the delivery of safe, reliable, and affordable energy with a commitment to protecting the environment.
- At the Company's request, the Public Service Commission of Wisconsin approved a base rate freeze for our Wisconsin utilities, keeping base rates flat through 2019 for our Wisconsin customers.
- Wisconsin Public Service Corporation was named as the best midsize utility in the Midwest for business customer satisfaction.(2)
- All major utility subsidiaries either met or exceeded our overall customer satisfaction targets.(2)
- Minnesota Energy Resources Corporation received the Governor's Safety Award, which recognizes companies with incident rates that are 51% to 90% better than the industry average.(2)
- Announced an advanced metering infrastructure program, which consists of an integrated system of smart meters, communication networks, and data management systems that enable two-way communication between utilities and customers.(2)
- Announced a plan to reshape our generation fleet to provide a clean, reliable future. Our plan includes retiring approximately 1,800 MWs of coal generation by 2020 and adding additional natural gas-fired generating units and renewable generation, including utility-scale solar projects.
- Completed the acquisition of Bluewater Natural Gas Holding, LLC, which owns underground natural gas storage facilities in Michigan.
- Received approval from the Michigan Public Service Commission to construct and operate approximately 180 MWs of natural gas-fired generation located in the Upper Peninsula of Michigan.
- Announced that Wisconsin Public Service Corporation, along with two other unaffiliated utilities, agreed to purchase the Forward Wind Energy Center, which consists of 86 wind turbines located in Wisconsin with a total capacity of 129 MWs. The aggregate purchase price is $174 million, of which Wisconsin Public Services' proportionate share is 44.6%, or approximately $78 million.

(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 2017.





(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, 2012. For information about the Custom Peer Index Group, see page F-92 in the Company's 2017 Annual Report.

Source: Bloomberg; assumes all dividends are reinvested and returns are compounded daily.

Key Compensation Program Changes

We continually look for ways to refine our executive compensation program to more effectively align executive pay with performance and reflect best compensation practices. For 2017, based upon feedback we received from stockholders during our investor outreach efforts, the Compensation Committee amended and restated the Performance Unit Plan to provide for an Additional Performance Measure in addition to the performance measure of total stockholder return. Performance units will continue to 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 the Company's performance against the Additional Performance Measure(s). 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 for the 2017 performance unit awards. In order to achieve our financial goals, it is important that the Company's utilities earn at or close to their authorized return on equity.

For additional information about the performance units and Additional Performance Measures, see "Long-Term Incentive Compensation" starting on page P-39.

Consideration of 2017 Stockholder Advisory Vote and Stockholder Outreach

At the 2017 Annual Meeting of Stockholders, the Company's stockholders approved the compensation of our named executive officers with almost 95% of the votes cast. The Compensation Committee considered this outcome as well as the feedback received during meetings we held with a number of our institutional stockholders. During 2017, we talked with 30 stockholders representing approximately 45% of the Company's outstanding common stock about our governance and compensation practices. In light of the significant stockholder support our executive compensation program received in 2017, the payout levels under our performance-based program for 2017, and the changes previously made to the program in 2016, the Compensation Committee continues to believe that the compensation program is competitive, aligned with our financial and operational performance, and in the best interests of the Company, stockholders, and customers.

COMPONENTS OF OUR EXECUTIVE COMPENSATION PROGRAM

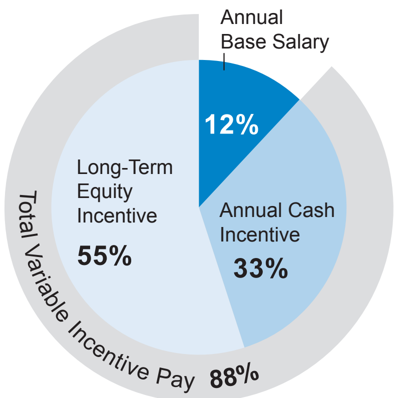
We have three primary elements of total direct compensation: (1) base salary; (2) annual incentive awards; and (3) long-term incentive awards consisting of a mix of performance units, stock options, and restricted stock. The Compensation Committee retained Frederic W. Cook & Co., Inc. ("FW Cook") as its independent compensation consultant to advise the Compensation Committee with respect to our executive compensation program. The Compensation Committee generally relied on the recommendations of FW Cook as it developed the 2017 program.

On January 27, 2016, the Board appointed Allen Leverett to serve as our CEO effective upon Gale Klappa's retirement on May 1, 2016. Mr. Klappa continued to serve as the Non-Executive Chairman of the Company's Board. As we first reported in a Current Report on Form 8-K filed on October 12, 2017, Mr. Leverett suffered a stroke. The Board, acting pursuant to the Company's Bylaws, appointed Mr. Klappa to act as CEO while Mr. Leverett recovers from the stroke and until such time as he is able to re-assume those responsibilities. For the remainder of 2017, we continued to compensate Mr. Leverett pursuant to the Company's standard medical leave policy.

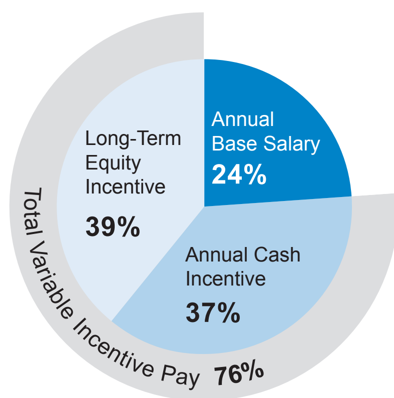
For information about Mr. Klappa's 2017 compensation, see page P-42.

As shown in the charts below, 88% of Mr. Leverett's 2017 total direct compensation and an average of 76% of the other NEO's (other than Mr. Klappa) 2017 total direct compensation is tied to Company performance and is not guaranteed.

CEO 2017 TOTAL DIRECT COMPENSATION MIX



OTHER NEOs 2017 TOTAL DIRECT COMPENSATION MIX



The other NEO's total direct compensation mix does not include Mr. Klappa's compensation as his compensation was based upon his service as CEO for less than a quarter of the year and under very unusual circumstances, and would significantly change the reported NEO mix in a way we believe would not be representative of the Company's executive compensation program. If Mr. Klappa is included in the calculation of the other NEOs total compensation mix, the amounts reported in the chart above would change as follows: Annual Base Salary (38%); Annual Cash Incentive (29%); and Long-Term Equity Incentive (33%).

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 vesting of restricted stock.

In addition to the components of total direct compensation identified above, our retirement programs are another important component of our compensation program.

This Compensation Discussion and Analysis contains a more detailed discussion of each of the above components for 2017, 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.
- 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 implemented a clawback policy that provides for the recoupment of incentive-based compensation. (page P-43)
- Annual incentive-based compensation contains multiple, pre-established performance metrics aligned with stockholder and customer interests. (page P-36)
- 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. (page P-39)
- The Performance Unit Plan requires a separation from service following a change in control for award vesting to occur. (page P-41)
- 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. (page P-43)
- 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. (page P-43)
- 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. (page P-44)
- 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 the compensation data obtained from Willis Towers Watson's 2017 Executive Compensation Data Bank as well as similar data from 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 $2.45 billion and $22 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 $8.7 billion and $15.2 billion, respectively.

The comparison group utilized for purposes of 2017 compensation includes the same companies as the previous year's comparison group, except that Dominion Resources was removed based upon FW Cook's recommendation that it no longer meets the applicable criteria. The comparison group consisted 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 revised 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 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 within (plus or minus) 15% of the market median for each NEO. However, the Compensation Committee may, in its discretion, adjust base salaries outside of this 15% band 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, 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 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 also take into consideration the level of such performance.

The Compensation Committee increased Mr. Leverett's annual base salary to $1,161,000 for 2017, which was within our targeted range of the market median.

With respect to each other NEO (other than Mr. Klappa), in December 2016, Mr. Leverett recommended an annual base salary to the Compensation Committee based upon a review of the market compensation data provided by FW Cook and the factors described above. The Compensation Committee approved the recommendations, which represented an average increase in annual base salary of approximately 3% for Messrs. Keyes and Fletcher, and Ms. Martin, and an increase in annual base salary of approximately 16% for Mr. Lauber.

Upon his appointment as Executive Vice President and Chief Financial Officer, Mr. Lauber's base salary was previously increased effective April 1, 2016, but was set below the target range because of how significant such an increase would have been in order to bring his salary within the range. As we previously reported, the Compensation Committee's intent was to continue increasing Mr. Lauber's salary in multiple steps to move it within the target range. As a result, effective July 1, 2017, the Compensation Committee increased Mr. Lauber's annual base salary by an additional 16% to provide an aggregate base salary of $496,165 in 2017. The annual base salary of each NEO was within our targeted range of the market median as discussed above.

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.

2017 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.

The year-end 2017 target awards for each NEO (other than Mr. Klappa) are set forth in the chart below.

Executive Officer	Target STPP Award as a Percentage of Base Salary
Mr. Leverett	125%
Mr. Lauber	80%
Mr. Keyes	75%
Ms. Martin	70%
Mr. Fletcher	70%

The target award levels of each officer named in the table above reflect median incentive compensation practices as indicated by the market data. The Compensation Committee increased Mr. Leverett's and Mr. Lauber's targets to move them into the median target range for their positions. Mr. Klappa did not participate in the STPP in 2017.

For 2017, the possible payout for any NEO ranged from 0% of the target award to 210% of the target award, based upon performance.

2017 Financial Goals under the STPP. The Compensation Committee adopted the 2017 STPP with a continued principal focus on financial results. In December 2016, 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 2017. For those officers whose positions primarily relate to utility operations in Wisconsin, including Mr. Fletcher, the Compensation Committee approved WEC Energy Group's earnings per share (25% weight) and cash flow (25% weight), as well as aggregate net income of WEC Energy Group's Wisconsin utility operations (50% weight), as the primary performance measures to be used in 2017. 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. Utility net income is an important financial measure as it is an indicator of the return on equity earned by our utilities, and in order to meet our earnings per share targets it is important that our utilities earn at or close to their allowed rates of return.

In January 2017, 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
$2.96	4.3%	25%
$2.98	4.7%	50%
$3.00	5.0%	100%
$3.06	6.1%	135%
$3.12	7.1%	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% off of a 2015 base of $2.72 per share. At the time the Compensation Committee was establishing targets for 2017, we believed that this CAGR, plus our continued growth in dividends would support a premium valuation as compared to the Company's peers. Therefore, the Compensation Committee tied the target (100%) payout level to achievement of the low end of the target CAGR range (5.0%), and the above target payout level to the mid-point of the target range (6.1%). The Compensation Committee tied the maximum payout level (200%) to achievement of a 7.1% CAGR. The Compensation Committee determined that the Company's CAGR should exceed the high end of the target range to achieve the maximum payout level.

In January 2017, 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 used a different process to establish the cash flow targets for 2017, basing the 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. Generally accepted accounting principles (GAAP) require 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.

In January 2017, the Compensation Committee approved the performance goals under the STPP for the Wisconsin utilities' net income (based upon WEC Energy Group's earnings per share performance goals) as set forth in the chart below ($ in millions).

Net Income	Weighted Return on Equity	Payout Level
$550	9.81%	25%
$556	9.91%	50%
$562	10.01%	100%
$570	10.15%	135%
$580	10.32%	200%

2017 Financial Performance under the STPP. In January 2018, the Compensation Committee reviewed our actual performance for 2017 against the financial and operational performance goals established under the STPP, subject to final audit.

WEC Energy Group's 2017 financial performance satisfied the maximum payout level established for earnings per share, cash flow, and net income for the Wisconsin utilities. WEC Energy Group's GAAP earnings per share and adjusted earnings per share were $3.79 and $3.14, respectively, for 2017. Our adjusted earnings exclude 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. WEC Energy Group's cash flow, based on FFO, was $2,113.0 million, and the Wisconsin utilities' net income was $582.6 million for 2017. Net income is measured against the net income from WEC Energy Group's Wisconsin segment excluding contributions to the Wisconsin utilities' charitable foundations and net costs related to the coal plant closings we announced in 2017. Our adjusted earnings per share, cash flow, and net income are not measures 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.

2017 WEC Energy Group Operational Goals and Performance under the STPP. Similar to prior years, in December 2016 and January 2017, the Compensation Committee also approved operational performance measures and targets under the STPP. 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 recognizes the importance of strong operational results to the success of the Company and has identified these three operational areas in particular as being critical to that success.

For 2017, Near Miss/Unsafe Condition ("NMUC") Reports have been added to the measures used to determine the Company's safety performance. NMUC reporting is designed to proactively identify and take action on potential safety risks before an incident occurs (unsafe conditions); and to learn from near-miss incidents that have occurred, but did not result in an injury or damage.

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. The Compensation Committee reviews management's recommendations and may make adjustments to the performance measures if it feels changes are necessary. The following table provides the operational goals approved by the Compensation Committee for 2017, 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	<68.6%	68.6% - 74.7%	>74.7%	78.0%
Transaction	<76.0%	76.0% - 81.4%	>81.4%	80.7%
Safety:	-2.50%	0.00%	+2.50%	
Lost Time Injury - Incidents	>67	39 - 67	<39	63
OSHA Recordable - Incidents	>206	135 - 206	<135	225
Near Miss / Unsafe Condition Reports	<14,590	14,590 - 18,910	>18,910	22,927
Diversity:	-2.50%	0.00%	+2.50%	
Supplier ($ in Millions)	<155.4	155.4 - 180.2	>180.2	248.9
Workforce - Assessment	Not Met	Met	Exceeded	Met

WEC Energy Group's performance with respect to operational goals generated a 3.75% increase to the compensation awarded under the STPP for 2017. The Compensation Committee measured customer satisfaction levels based upon the results of surveys that an independent third party conducted of customers who had direct contact with our utilities during the year, which measured (1) customers' satisfaction with the respective utility overall, and (2) customers' satisfaction with respect to the particular transactions with the applicable utility. Overall, our utilities exceeded target-level performance with respect to the first customer satisfaction measure; and WEC Energy Group exceeded the supplier diversity goal.

2017 Wisconsin Utilities Operational Goals and Performance under the STPP. For those officers whose positions primarily relate to utility operations in Wisconsin, STPP awards could be increased or decreased by up to 10% based upon performance in the operational areas of customer satisfaction (5% weight), safety (2.5% weight), and supplier diversity (1.25% weight) for WEC Energy Group's Wisconsin utility operations, as well as WEC Energy Group's performance in the operational area of workforce diversity (1.25% weight). The following table provides the operational goals approved by the Compensation Committee for 2017 for WEC Energy Group's Wisconsin utility operations, as well as the Company'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	<72.0%	72.0% - 78.0%	>78.0%	80.8%
Transaction	<79.1%	79.1% - 85.1%	>85.1%	82.9%
Safety:	-2.50%	0.00%	+2.50%	
Lost Time Injury - Incidents	>25	13 - 25	<13	23
OSHA Recordable - Incidents	>105	65 - 105	<65	118
Near Miss / Unsafe Condition Reports	<13,100	13,100 - 15,750	>15,750	22,927
Diversity:	-2.50%	0.00%	+2.50%	
Supplier ($ in Millions)	<90.0	90.0 - 104.0	>104.0	132.8
Workforce - Assessment	Not Met	Met	Exceeded	Met

The Wisconsin utilities' performance with respect to operational goals generated a 3.75% increase to the compensation awarded under the STPP for 2017. The Compensation Committee measured customer satisfaction levels based upon the results of surveys that an independent third party conducted of customers who had direct contact with our Wisconsin utilities during the year, which measured (1) customers' satisfaction with the specific Wisconsin utility overall, and (2) customers' satisfaction with respect to their particular transactions with their specific utility. Our Wisconsin utilities exceeded target-level performance with respect to the first customer satisfaction measure; those utilities also exceeded target-level performance with respect to supplier diversity.

The Compensation Committee retains the right to exercise discretion in adjusting awards under the STPP when it deems appropriate, but did not factor individual contributions into determining the amount of the awards for the NEOs for 2017. Because the Company's performance against the financial and operational goals resulted in significant STPP awards in 2017, the Compensation Committee determined that no further adjustments based upon individual contributions or otherwise were appropriate.

Based upon the Company's performance against the financial and operational goals established by the Compensation Committee, Mr. Leverett received annual incentive cash compensation under the STPP of $2,956,922 for 2017. This represented 255% of his annual base salary. Messrs. Lauber, Keyes, and Fletcher, and Ms. Martin, received annual cash incentive compensation for 2017 under the STPP equal to 163%, 153%, 143%, and 143% of their respective annual base salaries, representing 203.75% of the target award for each officer.

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 beginning with the 2017 grants may be adjusted based upon the Company's performance against an Additional Performance Measure(s). 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 will continue to 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 2017 Long-Term Incentive Awards. In establishing the target value of long-term incentive awards and the appropriate mix of performance units, stock options, and restricted stock for each NEO in 2017 (other than Mr. Klappa, who did not receive long-term incentive awards in 2017), the Compensation Committee reviewed the market compensation data and analysis provided by FW Cook. Based upon FW Cook's analysis, the Compensation Committee determined that the long-term incentive awards would be weighted 65% performance units, 20% stock options, and 15% restricted stock. These target values were presented to and approved by the Compensation Committee in December 2016.

Based upon the market data provided by FW Cook, we target the long-term incentive award to be within (plus or minus) 20% of the market median value of long-term incentive compensation. All of the NEO's long-term incentive awards were within this target range for 2017.

2017 Stock Option Grants. In December 2016, the Compensation Committee approved the grant of stock options to each of our NEOs (other than Mr. Klappa) 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 3, 2017, the first trading day of 2017. 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 2017:

Executive Officer	Options Granted
Mr. Leverett	130,640
Mr. Lauber	17,320
Mr. Keyes	29,800
Ms. Martin	21,065
Mr. Fletcher	17,345

For financial reporting purposes, the stock options granted on January 3, 2017 had a grant date fair value of $7.91 per option for Messrs. Leverett, Lauber, Keyes, and Fletcher, and a grant date fair value of $6.40 for Ms. Martin. Ms. Martin is considered to be "retirement eligible." Therefore, her options are presumed to have a shorter expected life, which results in a lower option value.

2017 Restricted Stock Awards. In December 2016, the Compensation Committee also approved the grant of restricted stock to each of our NEOs (other than Mr. Klappa) 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 3, 2017. The restricted stock vests in three equal annual installments beginning on January 3, 2018.

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. 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 $57.043 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 December 5, 2016, and ending on December 16, 2016. 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 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 January 2017:

Executive Officer	Restricted Stock Granted
Mr. Leverett	12,975
Mr. Lauber	1,719
Mr. Keyes	2,958
Ms. Martin	2,091
Mr. Fletcher	1,722

2017 Performance Units. In 2017, the Compensation Committee granted performance units to each of our NEOs (other than Mr. Klappa) and approved a pool of performance units that were granted to approximately 200 other employees. With respect to the 2017 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, 2019, 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 2017 performance unit awards, the Compensation Committee selected performance against the weighted average authorized return on equity of all WEC Energy Group's utility subsidiaries.

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 2017 performance unit peer group against which WEC Energy Group's performance will be measured includes:

- 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
- FirstEnergy Corp.
- Great Plains Energy, Inc.
- 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 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.

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.

For the 2017 performance unit awards, the Additional Performance Measure is the weighted average authorized return on equity ("ROE") of all WEC Energy Group's utility subsidiaries. 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 2017, the ROE targets and potential adjustments were set as follows:

If Actual Annual Authorized ROE is	The Annual Adjustment is	ROE Ranges
≤ 20 bp below the Authorized ROE	+ 3.33%	≥ 9.76%
21 - 30 bp below the Authorized ROE	0%	9.66% - 9.75%
> 30 bp below the Authorized ROE	(3.33)%	< 9.66%

WEC Energy Group's utility subsidiaries achieved a weighted average authorized ROE of 10.25% for 2017. This resulted in a 3.33% increase in the vesting percentage of the performance units awarded in 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 $57.043 per unit, the same value used for the restricted stock granted in January 2017.

The following table provides the number of performance units granted to each NEO effective January 3, 2017, at the 100% target level:

Executive Officer	Performance Units Granted
Mr. Leverett	56,225
Mr. Lauber	7,455
Mr. Keyes	12,825
Ms. Martin	9,065
Mr. Fletcher	7,465

2017 Payouts under Previously Granted Long-Term Incentive Awards. In 2015, the Compensation Committee granted performance unit awards to participants in the Performance Unit Plan, including the NEOs. The terms of the performance units granted in 2015 were substantially similar to those of the performance units granted in 2017 described above, except that the 2015 performance units did not have an Additional Performance Measure. The required percentile ranks for total stockholder return and related vesting schedule were identical to that of the 2017 performance units.

Payouts under the 2015 performance units were based upon our total stockholder return for the three-year performance period ended December 31, 2017 against the same group of peer companies used for the 2017 performance unit awards, except that the 2015 peer group included Avista, but did not include Edison International. However, in December 2017, the Compensation Committee determined that Avista Corporation should be removed from the custom peer group for the 2015 performance unit award. On July 19, 2017, Hydro One Limited and Avista announced that they had entered into an agreement whereby Hydro One will purchase Avista. Upon this announcement, there was a significant increase in Avista's stock price, which we believe was not the result of ongoing operating performance. 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.

Accounting for this change, our total stockholder return was at the 56th percentile of the peer group for the three-year performance period ended December 31, 2017, resulting in the performance units vesting at a level of 105.6%. The actual payouts were determined by multiplying the number of vested performance units by the closing price of our common stock ($66.43) on December 29, 2017, the last trading day of the performance period. The actual payout to each NEO (other than Mr. Klappa, who did not have any 2015 performance units outstanding) is reflected in the "Option Exercises and Stock Vested for Fiscal Year 2017" table.

Mr. Klappa's 2017 Compensation

In recognition of his service and leadership while Mr. Leverett recovers from his stroke, the Compensation Committee approved a payment of $2,000,000 for Mr. Klappa's service as CEO in 2017. The Compensation Committee based this determination on input from FW Cook regarding the appropriate pay level for Mr. Klappa under the circumstances. Mr. Klappa also received compensation for his service as a non-management director in 2017, including service as Non-Executive Chairman of the Board. He did not, however, participate in management incentive compensation programs. See the "Summary Compensation Table" for additional information on Mr. Klappa's director compensation.

For information about Mr. Klappa's 2018 compensation, see "Other Information" on page P-48.

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 the 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.

Effective January 1, 2017, 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 2017. The Compensation Committee determined that Mr. Leverett is in compliance with the ownership guidelines, and all of the other NEOs, including Mr. Klappa who is again subject to the ownership guidelines, are in 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 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 key 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 executive retirement plan, individual letter agreements with some of the NEOs, and a 401(k) 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 2017" and "Retirement Plans."

Mr. Klappa had previously retired as Chairman of the Board and CEO of WEC Energy Group effective May 1, 2016. For information regarding certain payments made to Mr. Klappa in connection with such retirement, see "Pension Benefits at Fiscal Year-End 2017."

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, and annual contributions to a qualified savings plan) are generally the same programs offered to substantially all of the Company's salaried 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. Following our acquisition of Integrys Energy Group, the Compensation Committee undertook a thorough review of WEC Energy Group's perquisite practices with FW Cook. At that time, FW Cook recommended to the Compensation Committee that the Company retain our current package of perquisites. For 2017, 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 utilized by 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 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 formalizes the Compensation Committee's policy 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. Leverett and Lauber, and Ms. Martin, were receiving gross-ups from the Company prior to July 2011.

In light of Mr. Klappa's retirement as executive Chairman of the Board and CEO of WEC Energy Group effective May 1, 2016, and his subsequent re-appointment as CEO in 2017, Mr. Klappa is deemed a new employee for benefits purposes and is not eligible to receive gross-ups as CEO.

SEVERANCE BENEFITS AND CHANGE IN CONTROL

Several years ago, the Compensation Committee determined that it would no longer offer severance and change in control benefits in employment agreements. Therefore, Messrs. Lauber and Keyes, and Ms. Martin, have not entered into an employment agreement that provides for these benefits. However, they are eligible to participate in the Company's Severance Pay Plan. Prior to that time, each of Messrs. Leverett and Fletcher entered into an employment agreement with the Company, which includes severance and change in control provisions. For a discussion of the severance and change in control 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, each NEO (other than Mr. Klappa) 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

Section 162(m) of the Internal Revenue Code limits the deductibility of certain executives' compensation that exceeds $1 million per year. For tax years prior to 2018, compensation over $1 million per year could be deducted if such compensation was performance-based under Section 162(m) and issued through a plan that had been approved by stockholders. Although the Compensation Committee historically took into consideration the provisions of Section 162(m), it believes that maintaining tax deductibility is only one consideration among many in the design of an effective executive compensation program. With respect to 2017 compensation for the NEOs, the stock option grants under the 1993 Omnibus Stock Incentive Plan have been structured to qualify as performance-based compensation under Section 162(m). The remaining components of the 2017 compensation program do not qualify for tax deductibility under Section 162(m).

The recently enacted tax reform legislation has raised some questions as to whether performance-based compensation granted in 2018 and thereafter may continue to be deducted. The Compensation Committee does not anticipate that the tax law changes, if applicable, will have a significant impact on the Company's executive compensation program as the Committee continues to believe that a significant portion of the executives' compensation should be at risk and based upon performance against Company goals.

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

John F. Bergstrom, Committee Chair
Thomas J. Fischer
Ulice Payne, Jr.

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[5] ($)	Option Awards[6] ($)	Non-Equity Incentive Plan Compensation[7] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[8] ($)	All Other Compensation[9][10] ($)	Total ($)	Total Without Change in Pension Value ($)
Allen L. Leverett[1] President	2017	1,161,000	—	4,034,706	1,033,362	3,018,251	4,224,896	170,022	13,642,237	9,437,265
	2016	941,667	—	2,939,251	769,144	2,162,593	4,549,812	140,512	11,502,979	6,963,294
	2015	799,155	—	2,762,955	481,762	1,680,500	925,639	132,014	6,782,025	5,858,590
Gale E. Klappa[1] Chairman of the Board and Chief Executive Officer	2017	2,225,000[2]	—	250,012	—	—	2,529,057	27,102	5,031,171	2,593,579
	2016	589,043	—	7,427,755	816,752	1,179,632	925,719	210,435	11,149,336	10,250,269
	2015	1,324,739	—	5,388,193	809,646	3,454,116	2,573,492	276,582	13,826,768	11,260,113
Scott J. Lauber[3] Executive Vice President and Chief Financial Officer	2017	467,321	—	534,890	137,001	764,441	93,343	66,124	2,063,120	1,977,525
	2016	351,784	—	158,886	38,371	513,010	65,818	38,116	1,165,985	1,103,685
J. Patrick Keyes Executive Vice President, Strategy	2017	562,792	—	920,228	235,718	885,736	122,780	73,214	2,800,468	2,682,669
	2016	546,400	—	889,965	215,067	904,320	111,973	73,034	2,740,759	2,630,909
	2015	531,002	—	1,121,231	201,993	911,839	90,080	71,410	2,927,555	2,837,539
Susan H. Martin[4] Executive Vice President	2017	530,450	—	650,451	134,816	771,436	108,918	64,827	2,260,898	2,156,824
	2016	515,000	—	587,165	106,358	779,035	102,117	113,108	2,202,783	2,103,032
	2015	475,000	—	824,278	87,032	741,831	86,748	58,343	2,273,232	2,186,678
J. Kevin Fletcher[3] President - WE, WG and WPS	2017	436,800	—	535,648	137,199	633,095	1,198,310	44,062	2,985,114	1,800,225
	2016	411,345	—	336,818	81,425	606,866	671,274	39,869	2,147,597	1,482,133

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 do not believe a year-over-year change in pension value is helpful in evaluating compensation for comparative purposes.

(1) On January 27, 2016, the Board appointed Allen Leverett to serve as our CEO effective upon Gale Klappa's retirement on May 1, 2016 Mr. Klappa continued to serve as the Non-Executive Chairman of the Company's Board. As we first reported in a Current Report on Form 8-K filed on October 12, 2017, Mr. Leverett suffered a stroke. The Board appointed Mr. Klappa to act as CEO while Mr. Leverett recovers from the stroke and until such time as Mr. Leverett is able to re-assume those responsibilities.

(2) Includes 2017 Board of Director fees earned by Mr. Klappa in his role as a non-management director and Non-Executive Chairman of the Board in the amount of $225,000.

(3) Mr. Lauber, who was named Executive Vice President and CFO effective April 1, 2016, and Mr. Fletcher, who was named President of the Wisconsin utilities effective May 1, 2016, became named executive officers in 2016. Therefore, no information has been provided for 2015 for either officer.

(4) Ms. Martin held the title of Executive Vice President, General Counsel and Corporate Secretary through December 31, 2017. As we previously reported, Ms. Martin intends to retire in early 2018. As part of this transition, effective January 1, 2018, Ms. Martin holds the title of Executive Vice President.

(5) The amounts reported for Mr. Klappa in 2017 relate to the grant of restricted stock he received on January 3, 2017 for his service as a non-management director and Non-Executive Chairman of the Board. 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. Leverett, Lauber, Keyes, and Fletcher, and Ms. Martin, is $5,736,862, $760,647, $1,308,597, $761,697, and $924,951, respectively, for the 2017 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, for each of Messrs. Leverett, Lauber, Keyes, and Fletcher, and Ms. Martin, is $4,179,276, $225,903, $1,265,486, $479,001, and $835,068, respectively, for the 2016 awards. See "Option Exercises and Stock Vested For Fiscal Year 2017" for the amount of the actual payout with respect to the 2015 award of performance units. Mr. Klappa's 2015 and 2016 grants of performance units vested pursuant to the terms of the Company's Performance Unit Plan upon his retirement on May 1, 2016. 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.

(6) 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 2017 Annual Report on Form 10-K for a description of these assumptions. For 2017, the assumptions made in connection with the valuation of the stock options are the same as described in Note 1(l), except that the expected life of the options is 7.6 years for Messrs. Leverett, Lauber, Keyes, and Fletcher, and 4.9 years for Ms. Martin. The change in the expected life of the options as set forth in Note 1(l) resulted from the fact that Ms. Martin is "retirement eligible" as of the grant date, and Messrs. Leverett, Lauber, Keyes, and Fletcher were not, whereas the assumption described in Note 1(l) is a weighted average of all option holders.

(7) Consists of the annual incentive compensation and short-term dividend equivalents earned under WEC Energy Group's STPP. The amounts earned for each award for 2017 are shown below.

Name	Annual Incentive Award ($)	Short-Term Dividend Equivalents ($)	Total ($)
Allen L. Leverett	2,956,922	61,329	3,018,251
Gale E. Klappa	—	—	—
Scott J. Lauber	760,250	4,191	764,441
J. Patrick Keyes	860,017	25,719	885,736
Susan H. Martin	756,554	14,882	771,436
J. Kevin Fletcher	622,986	10,109	633,095

In conjunction with performance units granted prior to January 1, 2016, certain officers, including the NEOs, and employees were eligible to receive dividend equivalents under the STPP in an amount equal to the number of performance units at the target 100% rate held by each such officer or employee on the dividend declaration date multiplied by the amount of cash dividends paid by the Company on a share of our common stock on such date. The short-term dividend equivalents vested at the end of each year only if the Company achieved the performance target or targets for that year established by the Compensation Committee in the same manner as the performance targets are established under the STPP for the annual incentive awards.

In 2015, the Compensation Committee determined that short-term dividend equivalents should no longer vest annually on unearned performance units and, therefore, would no longer be issued under the STPP. Therefore, the Compensation Committee amended and restated the Company's Performance Unit Plan effective January 1, 2016, to provide for short-term dividend equivalents. For a more detailed discussion of how Short-Term Dividend Equivalents are earned under the Performance Unit Plan, see "Short-Term Dividend Equivalents" in the Compensation Discussion and Analysis.

(8) The amounts reported for 2017, 2016, and 2015 reflect the aggregate change in the actuarial present value of each applicable NEO's accumulated benefit under all defined benefit plans from December 31, 2016 to December 31, 2017, December 31, 2015 to December 31, 2016, and December 31, 2014 to December 31, 2015, respectively. For 2017, 2016, and 2015, the amounts reported 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 2017 are shown below.

Name	Change in Pension Value ($)	Non-Qualified Deferred Compensation Earnings ($)	Total ($)
Allen L. Leverett	4,204,972	19,924	4,224,896
Gale E. Klappa	2,437,592	91,465	2,529,057
Scott J. Lauber	85,595	7,748	93,343
J. Patrick Keyes	117,799	4,981	122,780
Susan H. Martin	104,074	4,844	108,918
J. Kevin Fletcher	1,184,889	13,421	1,198,310

For 2017, 2016, and 2015, the applicable discount rate used to value pension plan liabilities moved from 4.15% to 3.65%, 4.45% to 4.15%, and 4.15% to 4.45%, 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. Leverett, Klappa, and Fletcher 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.

(9) During 2017, each NEO, other than Mr. Klappa, received financial planning services and the cost of an annual physical exam; Mr. Leverett received reimbursement for club dues; Messrs. Leverett, Klappa, and Lauber were provided with membership in a service that provides healthcare and safety management when traveling outside the United States. In addition, the NEOs, other than Mr. Klappa, were eligible to receive reimbursement for taxes paid on imputed income attributable to certain perquisites including spousal travel and related costs for industry events where it is customary and expected that officers attend with their spouses. During 2017, Mr. Klappa, as Non-Executive Chairman, utilized the benefit of spousal travel for business purposes with the associated tax reimbursement. These tax reimbursements are reflected in the Summary Compensation Table (see the third bullet point in Note 10 below). Other than the tax reimbursement, there is no incremental cost to the Company related to this spousal travel.

(10) For Mr. Klappa, the amount reported in All Other Compensation for 2017 includes $22,412 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. Leverett, Klappa, Lauber, Keyes, and Fletcher, and Ms. Martin, for 2017 also consists of:

- Employer matching of contributions into the WEC Energy Group 401(k) plan in the amount of $10,350 for Messrs. Leverett and Keyes; $10,800 for Mr. Lauber; $7,841 for Mr. Fletcher; and $6,112 for Ms. Martin;
- "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 $115,273 for Mr. Leverett, $27,293 for Mr. Lauber, $44,863 for Mr. Keyes, $29,471 for Mr. Fletcher, and $39,528 for Ms. Martin; and
- Tax reimbursements or "gross-ups" for all applicable perquisites in the amounts of $21,452, $4,255, and $11,397 for Messrs. Leverett, Klappa, and Lauber, respectively. Mr. Klappa received his tax reimbursement as Non-Executive Chairman. As further discussed in the Compensation Discussion and Analysis, Mr. Klappa is not eligible to receive tax gross-ups as CEO.

Other Information

In connection with his service as CEO in 2018, Mr. Klappa will receive base pay of $1,425,000 and is eligible to participate in the STPP, with a target award of 120% of base pay. Should his STPP award be prorated to reflect partial year employment in 2018, Mr. Klappa will receive a make-whole amount from the Company so that he receives annual incentive compensation as if the STPP had applied for the full calendar year. Mr. Klappa will also participate in the Company's long-term incentive plan, with a target award of 342% of base pay. The long-term award, which was granted in January 2018, was comprised of 80% restricted stock and 20% stock options. Mr. Klappa is also eligible to participate in all other benefits provided by the Company to its other senior executives.

The terms and conditions of the options granted to Mr. Klappa are consistent with those of options granted to other senior executives of the Company. The same is true of the shares of restricted stock granted to Mr. Klappa, except that the shares vest on the one year anniversary of the grant date and become fully vested if Mr. Klappa resigns for "good reason." Good reason means a material diminution in Mr. Klappa's duties or responsibilities, including the appointment of a successor Chief Executive Officer. Restricted stock awards granted to other senior executives customarily vest in three equal annual installments beginning one year from the date of the grant and do not include full vesting upon resignation for good reason. However, the Compensation Committee believed that under the circumstances, it was appropriate to utilize a different vesting arrangement for Mr. Klappa's January 2018 grant of restricted stock.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2017

The following table shows additional data regarding incentive plan awards to the NEOs in 2017.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2)			Estimated Future Payouts Under Equity Incentive Plan Awards (3)			All Other Stock Awards:	All Other Option Awards (5)			
Name	Grant Date	Action Date (1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (4) (#)	Number of Securities Underlying Options (#)	Exercise or Base Price (6) ($/Sh)	Closing Market Price ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Allen L. Leverett	1/19/17	—	362,813	1,451,250	3,047,625	—	—	—	—	—	—	—	—
	1/19/17	—	—	61,329	—	—	—	—	—	—	—	—	—
	1/3/17	12/1/16	—	—	—	14,056	56,225	98,394	—	—	—	—	3,278,199
	1/3/17	12/1/16	—	—	—	—	—	—	12,975	—	—	—	756,507
	1/3/17	12/1/16	—	—	—	—	—	—	—	130,640	58.305	58.49	1,033,362
Gale E. Klappa	1/3/17	12/1/16	—	—	—	—	—	—	4,288	—	—	—	250,012
Scott J. Lauber	1/19/17	—	93,282	373,129	783,571	—	—	—	—	—	—	—	—
	1/19/17	—	—	4,191	—	—	—	—	—	—	—	—	—
	1/3/17	12/1/16	—	—	—	1,864	7,455	13,046	—	—	—	—	434,664
	1/3/17	12/1/16	—	—	—	—	—	—	1,719	—	—	—	100,226
	1/3/17	12/1/16	—	—	—	—	—	—	—	17,320	58.305	58.49	137,001
J. Patrick Keyes	1/19/17	—	105,524	422,094	886,397	—	—	—	—	—	—	—	—
	1/19/17	—	—	25,719	—	—	—	—	—	—	—	—	—
	1/3/17	12/1/16	—	—	—	3,206	12,825	22,444	—	—	—	—	747,762
	1/3/17	12/1/16	—	—	—	—	—	—	2,958	—	—	—	172,466
	1/3/17	12/1/16	—	—	—	—	—	—	—	29,800	58.305	58.49	235,718
Susan H. Martin	1/19/17	—	92,829	371,315	779,762	—	—	—	—	—	—	—	—
	1/19/17	—	—	14,882	—	—	—	—	—	—	—	—	—
	1/3/17	12/1/16	—	—	—	2,266	9,065	15,864	—	—	—	—	528,535
	1/3/17	12/1/16	—	—	—	—	—	—	2,091	—	—	—	121,916
	1/3/17	12/1/16	—	—	—	—	—	—	—	21,065	58.305	58.49	134,816
J. Kevin Fletcher	1/19/17	—	76,440	305,760	642,096	—	—	—	—	—	—	—	—
	1/19/17	—	—	10,109	—	—	—	—	—	—	—	—	—
	1/3/17	12/1/16	—	—	—	1,866	7,465	13,064	—	—	—	—	435,247
	1/3/17	12/1/16	—	—	—	—	—	—	1,722	—	—	—	100,401
	1/3/17	12/1/16	—	—	—	—	—	—	—	17,345	58.305	58.49	137,199

(1) On December 1, 2016, the Compensation Committee awarded the 2017 option, restricted stock, and performance unit grants effective the first trading day of 2017 (January 3, 2017). On December 1, 2016, the Compensation Committee granted restricted stock effective January 3, 2017, to Mr. Klappa in connection with his service as a non-management director and Non-Executive Chairman of the Board.

(2) Non-equity incentive plan awards consist of annual incentive awards under WEC Energy Group's STPP (reported on the first line) and short- term dividend equivalents payable under the STPP in connection with the 2015 award of performance units (reported on the second line). The short-term dividend equivalents only vest upon achievement of the established performance target; otherwise, no dividend equivalents vest. 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. Effective with performance units awarded on or after January 1, 2016, 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. For a more detailed description of the performance units and short-term dividend equivalents and how such dividend equivalents are calculated, 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 2017

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 2017.

	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)] ($)
Allen L. Leverett	112,250	—	—	34.875	1/3/22	—	—	—	—
	197,360	—	—	37.46	1/2/23	—	—	—	—
	134,055	—	—	41.025	1/2/24	—	—	—	—
	—	77,955	—	52.895	1/2/25	—	—	—	—
	—	82,455	—	50.925	1/4/26	—	—	—	—
	—	42,679	—	58.325	5/2/26	—	—	—	—
	—	130,640	—	58.305	1/3/27	27,866	1,851,138	—	—
	—	—	—	—	—	—	—	83,720	5,561,520
	—	—	—	—	—	—	—	103,556	6,879,225
Gale E. Klappa	426,928	—	—	37.46	1/2/23	—	—	—	—
	302,535	—	—	41.025	1/2/24	—	—	—	—
	176,010	—	—	52.895	1/2/25	—	—	—	—
	190,830	—	—	50.925	1/4/26	—	—	—	—
	—	—	—	—	—	7,146	474,709	—	—
Scott J. Lauber	3,650	—	—	34.875	1/3/22	—	—	—	—
	6,360	—	—	37.46	1/2/23	—	—	—	—
	9,560	—	—	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	3,515	233,501	—	—
	—	—	—	—	—	—	—	4,741	314,945
	—	—	—	—	—	—	—	13,678	908,630
J. Patrick Keyes	10,460	—	—	34.875	1/3/22	—	—	—	—
	95,265	—	—	37.46	1/2/23	—	—	—	—
	57,335	—	—	41.025	1/2/24	—	—	—	—
	—	32,685	—	52.895	1/2/25	—	—	—	—
	—	37,665	—	50.925	1/4/26	—	—	—	—
	—	29,800	—	58.305	1/3/27	8,237	547,184	—	—
	—	—	—	—	—	—	—	26,555	1,764,049
	—	—	—	—	—	—	—	23,622	1,569,209
Susan H. Martin	—	18,920	—	52.895	1/2/25	—	—	—	—
	—	24,850	—	50.925	1/4/26	—	—	—	—
	—	21,065	—	58.305	1/3/27	6,511	432,526	—	—
	—	—	—	—	—	—	—	17,523	1,164,053
	—	—	—	—	—	—	—	16,695	1,109,049
J. Kevin Fletcher	18,260	—	—	34.875	1/3/22	—	—	—	—
	33,670	—	—	37.46	1/2/23	—	—	—	—
	20,525	—	—	41.025	1/2/24	—	—	—	—
	—	12,845	—	52.895	1/2/25	—	—	—	—
	—	14,260	—	50.925	1/4/26	—	—	—	—
	—	17,345	—	58.305	1/3/27	3,993	265,255	—	—
	—	—	—	—	—	—	—	10,052	667,754
	—	—	—	—	—	—	—	13,749	913,346

(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 2, 2015, Messrs. Leverett, Lauber, Keyes, and Fletcher, and Ms. Martin, were granted restricted stock awards of 6,804, 465, 2,853, 1,119, and 1,650 shares, respectively, which began vesting in three equal annual installments on January 2, 2016. On July 31,

2015, Messrs. Leverett, Lauber, Keyes, and Fletcher, and Ms. Martin, were granted restricted stock awards of 17,145, 3,751, 6,429, 3,215, and 7,287 shares, respectively, for the key role each played in closing the acquisition of Integrys Energy Group. These shares vest in three equal installments on January 29, 2016, January 31, 2017, and July 31, 2018. Effective January 4, 2016, Messrs. Leverett, Lauber, Keyes, and Fletcher, and Ms. Martin, were granted restricted stock awards of 7,173, 585, 3,276, 1,239, and 2,160 shares, respectively, which began vesting in three equal annual installments on January 4, 2017. Effective May 2, 2016, Mr. Leverett was granted a restricted stock award of 3,186 shares, which began vesting in three equal annual installments on May 2, 2017. Effective May 2, 2016, Mr. Klappa was granted a restricted stock award of 2,858 shares for his service as Non-Executive Chairman of the Company's Board of Directors, which will vest 100% on May 2, 2019. Effective January 3, 2017, Messrs. Leverett, Lauber, Keyes, and Fletcher, and Ms. Martin, were granted restricted stock awards of 12,975, 1,719, 2,958, 1,722, and 2,091 shares, respectively, which began vesting in three equal annual installments on January 3, 2018. In connection with his service as a non-management director and Non-Executive Chairman of the Board, Mr. Klappa received a restricted stock award in the amount of 4,288 shares, which vested 100% on January 3, 2018. Other than with respect to Mr. Klappa's restricted stock awards, 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. The vesting of Mr. Klappa's restricted stock may be accelerated in connection with a change in control, death or disability, or by action of the Compensation Committee.

(3) The number of performance units reported were awarded in 2016 (first line) and 2017 (second line) and vest at the end of the three-year performance period ending December 31, 2018 and December 31, 2019, respectively. The number of performance units reported and their corresponding value are based upon a payout at the maximum amount for both 2016 and 2017. The number and value of the 2016 performance units includes performance units resulting from the grant of short-term dividend equivalents in 2016 and 2017. The number and value of the 2017 performance units includes performance units resulting from the grant of short-term dividend equivalents and achievement of the Additional Performance Measure in 2017.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL YEAR 2017

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 2017.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise [(1)] ($)	Number of Shares Acquired on Vesting [(2)] (#)	Value Realized on Vesting [(3)(4)] ($)
Allen L. Leverett	29,715	860,951	14,115	830,790
	—	—	31,136	2,068,375
Gale E. Klappa	449,672	13,809,484	—	—
	—	—	—	—
Scott J. Lauber	9,390	379,139	1,791	105,056
	—	—	2,128	141,352
J. Patrick Keyes	—	—	5,332	313,035
	—	—	13,057	867,406
Susan H. Martin	48,175	1,257,291	4,353	255,443
	—	—	7,556	501,924
J. Kevin Fletcher	—	—	2,268	133,124
	—	—	5,132	340,929

(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 2017 (first line) and, the number of performance units that vested as of December 31, 2017, 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 29, 2017, the last trading day of the year.

PENSION BENEFITS AT FISCAL YEAR-END 2017

The following table sets forth information for each NEO regarding their pension benefits at fiscal year-end 2017 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 (3)(4) ($)	Payments During Last Fiscal Year ($)
Allen L. Leverett	WEC Energy Group Plan	14.5	325,820	—
	SERP	14.5	2,106,717	—
	Individual Letter Agreement	29	12,231,485	—
Gale E. Klappa(2)	WEC Energy Group Plan	13	278,067	22,174
	SERP	13	3,565,578	263,731
	Individual Letter Agreement	38.67	25,006,666	1,849,639
Scott J. Lauber	WEC Energy Group Plan	27.5	548,682	—
	SERP	27.5	178,153	—
	Individual Letter Agreement	—	—	—
J. Patrick Keyes	WEC Energy Group Plan	6.67	128,857	—
	SERP	6.67	366,693	—
	Individual Letter Agreement	6.67	147,352	—
Susan H. Martin	WEC Energy Group Plan	17.75	295,686	—
	SERP	17.75	414,467	—
	Individual Letter Agreement	—	—	—
J. Kevin Fletcher	WEC Energy Group Plan	6.17	121,168	—
	SERP	6.17	232,155	—
	Individual Letter Agreement	40.75	4,727,616	—

(1) Years of service are computed as of December 31, 2017, the pension plan measurement date used for financial statement reporting purposes. Messrs. Leverett and Fletcher have been credited with 14.5 and 34.58 years of service, respectively, pursuant to the terms of their Individual Letter Agreements ("ILAs"). Prior to his retirement in May 2016, Mr. Klappa was credited with 25.67 years of service pursuant to the terms of his ILA. The increase in the aggregate amount of each of Messrs. Leverett's, Klappa's and Fletcher's accumulated benefit under all of WEC Energy Group's retirement plans resulting from the additional years of credited service is $8,974,190, $20,981,171 and $4,009,791, 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 as CEO.

(3) 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. Leverett, age 60.
  - For Mr. Klappa, age 65.67 (actual age at retirement).
  - For Mr. Lauber, age 60.
  - For Mr. Keyes, age 55.58.
  - For Ms. Martin, age 65.67.
  - For Mr. Fletcher, age 65.
- Discount rate of 3.65%.
- Cash balance interest crediting rate of 5.00%.
- Form of payment:
  - Messrs. Leverett and Fletcher: WEC Energy Group Plan and SERP - Lump sum; ILA - Life annuity.
  - Mr. Klappa's actual form of payment elected at retirement: WEC Energy Group Plan, SERP, and ILA - Life annuity
  - Mr. Lauber: WEC Energy Group Plan and SERP - Life annuity
  - Mr. Keyes and Ms. Martin: WEC Energy Group Plan and SERP - Lump sum.
  - Mr. Keyes: ILA - Lump sum.
- Mortality Table, for Messrs. Leverett's, Klappa's, Lauber's, and Fletcher's life annuity - RP2014/Male/White Collar with modified MP2017 projection.

(4) WEC Energy Group's pension benefit obligations to Messrs. Leverett, Klappa, and Fletcher will be partially offset by pension benefits Messrs. Leverett, Klappa, and Fletcher are entitled to receive from their former employers. The amounts reported for Messrs. Leverett, Klappa, and Fletcher, 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. Leverett's, Klappa's, and Fletcher's accumulated benefit under all of the plans is $15,361,203, $33,792,539, and $7,484,805, respectively, $697,181, $4,942,228, and $2,403,866 of which we estimate the prior employer is obligated to pay. If Messrs. Leverett, Klappa, or Fletcher'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.

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. The compensation currently considered for purposes of the retirement plans (other than the WEC Energy Group Plan and SERP) for Messrs. Leverett and Fletcher is $2,610,356 and $924,226, respectively. These amounts represent the average compensation (consisting of base salary and annual incentive compensation) for the 36 highest consecutive months. For Messrs. Lauber and Keyes, and Ms. Martin, the compensation considered for purposes of the retirement plans (other than the WEC Energy Group Plan) is $952,339, $1,391,596, and $1,258,194, respectively. These amounts represent their 2017 base salary, plus their 2016 STPP award paid in 2017. As of December 31, 2017, Messrs. Leverett, Lauber, Keyes, and Fletcher, and Ms. Martin, currently have or are considered to have 29, 27.50, 6.67, 40.75, and 17.75 credited years of service, respectively, under the various plans described below. Messrs. Lauber and Keyes, and Ms. Martin, were not granted additional years of credited service.

See below for a discussion of Mr. Klappa's retirement benefits.

The WEC Energy Group Plan

Most regular full-time and part-time employees, including 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 Messrs. Leverett and Lauber, estimated benefits under the grandfathered formula are higher than under the cash balance plan formula. Messrs. Keyes and Fletcher, and Ms. Martin, do not participate in the grandfathered formula. Although all of the NEOs participate in the cash balance plan formula, pursuant to the agreement discussed below, Mr. Leverett's total retirement benefits would be determined by the prior plan benefit formula if he were to retire at or after age 60. Mr. Leverett's agreement also provides that the prior plan benefit formula will continue to be applied until retirement, with no amounts frozen as of December 31, 2010. Mr. Leverett would receive the cash balance in his account if he was to terminate employment prior to attaining the age of 60.

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 $270,000 of pension eligible earnings (base pay and annual incentive compensation) may be considered for purposes of the WEC Energy Group Plan.

Supplemental Executive Retirement Plans and Individual Letter Agreements

Designated officers of WEC Energy Group, including all of the NEOs, 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 Mr. Klappa remains a participant in the SPP, he no longer accrues any benefits under the plan as a result of his retirement in 2016.

WEC Energy Group entered into an agreement with Mr. Leverett 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. Leverett 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. Leverett had started participation in the WEC Energy Group Plan on January 1, 1989. The retirement benefits payable to Mr. Leverett will be offset by the value of any qualified or non-qualified defined benefit pension plans of prior employers.

WEC Energy Group entered into an individual letter agreement with Mr. Klappa when he first commenced employment in 2003 that was similar to Mr. Leverett's agreement. Pursuant to the terms of the agreement, which terminated upon Mr. Klappa's retirement in May 2016, Mr. Klappa'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. Klappa had started with WEC Energy Group at age 27. As a result, Mr. Klappa had 38.67 years of credited service under the WEC Energy Group Plan and the SERP upon his retirement in May 2016.

Mr. Leverett's agreement also provides for a pre-retirement spousal benefit to be paid to his spouse in the event of his death while employed by the Company. The benefit payable is equal to the amount which would have been received by Mr. Leverett's spouse under the WEC Energy Group Plan as in effect on December 31, 1995, had the benefit formula then in effect continued until Mr. Leverett's death, calculated without regard to Internal Revenue Code limits, and as if Mr. Leverett had started at the age indicated above. The spousal benefit payable would be offset by one-half of the value of any qualified or non-qualified deferred benefit pension plans of Mr. Leverett's prior employer.

WEC Energy Group entered into an agreement with Mr. Keyes when he was hired as Vice President and Treasurer in 2011 that provides for a supplemental pension benefit account, which was credited with $100,000. This account will be 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. Keyes attaining age 60 or completion of 10 years of service.

WEC Energy Group entered into an agreement with Mr. Fletcher 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.

The purpose of these agreements was to ensure that Messrs. Leverett, Klappa, Keyes, and Fletcher 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 Mr. Klappa is considered a new employee, he will no longer accrue additional benefits under the WEC Energy Group Plan; however, Mr. Klappa is entitled to receive Company contributions to the 401(k) plan and Non-Qualified Retirement Savings Plan.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL YEAR 2017

The following table reflects activity by the NEOs during 2017 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) ($)
Allen L. Leverett	363,270	115,272	607,067	—	5,655,363
Gale E. Klappa	79,430	—	315,455	898,292	7,186,337
Scott J. Lauber	94,498	27,293	82,980	—	1,402,853
J. Patrick Keyes	1,012,713	44,864	886,344	—	5,192,261
Susan H. Martin	514,088	39,528	331,605	—	2,869,597
J. Kevin Fletcher	335,349	29,471	79,688	—	2,112,425

(1) All of the amounts are reported as compensation in the "Summary Compensation Table" of this proxy statement.

(2) $3,078,418, $6,851,816, $105,478, $2,896,148, $328,425, and $1,067,251 of the reported amounts were reported as compensation in the Summary Compensation Tables in prior proxy statements for Messrs. Leverett, Klappa, Lauber, Keyes, and Fletcher, and Ms. Martin, respectively.

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 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, 2017 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, vested restricted stock, and short-term dividend equivalents 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.

Mr. Klappa was not eligible to defer any compensation into the EDCP for most of 2017, nor was he eligible for any Company contributions to the EDCP.

Participants may elect to participate in the Company's stock measurement 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, 2017 for the WEC Energy Group Common Stock Fund and the Prime Rate Fund was 13.3% and 4.19%, 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 make changes to their measurement fund elections by notice to the committee administering the plan.

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 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 (other than Mr. Klappa) 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 2017, as reported in the "Aggregate Balance at Last Fiscal Year-End" column under "Nonqualified Deferred Compensation for Fiscal Year 2017." The amount of compensation payable to each NEO (other than Mr. Klappa) 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, 2017 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, 2017, 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 2017." 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; and
- 401(k) plan and EDCP account balances.

NEOs are also entitled to the value of unused vacation days, if any.

Payments Made Under Employment Agreements Upon a Change in Control, Involuntary Termination, or Termination for Good Reason

WEC Energy Group has entered into a written employment agreement with Mr. Leverett, which provides for certain severance benefits as described below. The Compensation Committee did not amend or otherwise modify Mr. Leverett's employment agreement, dated as of December 28, 2008, in any way in connection with his service as CEO.

Under the agreement with Mr. Leverett, severance benefits are provided if his employment is terminated:

- in anticipation of or following a change in control by the Company for any reason, other than cause, death, or disability;
- by Mr. Leverett for good reason in anticipation of or following a change in control;
- by Mr. Leverett within six months after completing one year of service following a change in control; or
- in the absence of a change in control, by the Company for any reason other than cause, death, or disability or by Mr. Leverett for good reason.

Upon termination of his employment in connection with a change in control, Mr. Leverett’s agreement provides for:

- a lump sum severance payment equal to three times the sum of Mr. Leverett's highest annual base salary in effect for the three years preceding his termination and highest bonus amount;
- three years continuation of health and certain other welfare benefit coverage and eligibility for retiree health coverage thereafter;
- a payment equal to the value of three additional years of participation in the applicable qualified and non-qualified retirement plans based upon the higher of (1) the annual base salary in effect at the time of termination, and (2) any salary in effect during the 180 day period preceding termination, plus the highest bonus amount;
- a payment equal to the value of three additional years of Company match in the 401(k) plan and EDCP;
- full vesting in all outstanding stock options, restricted stock, and other equity awards;
- 401(k) and EDCP account balances;
- certain financial planning services and other benefits; and
- a "gross up" payment should any payments under the agreement trigger federal excise taxes under the "parachute payment" provisions of the tax law.

If Mr. Leverett's employment is terminated by the Company for any reason other than cause, death, or disability, or by him for good reason in the absence of a change in control, payments and other benefits tied to a three year multiple will instead be tied to a two year multiple. In addition, Mr. Leverett would not be entitled to receive any gross-up.

The highest bonus amount would be calculated as the larger of (1) the current target bonus for the fiscal year in which employment termination occurs, or (2) the highest bonus paid in any of the last three fiscal years of the Company prior to termination or the change in control. The agreement contains a one-year non-compete provision applicable on termination of employment.

Pursuant to the terms of the agreement with Mr. Fletcher, severance benefits are provided 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.

Pursuant to the terms of the SPP and ILAs, retirement benefits are paid to the NEOs upon termination of employment within 18 months of a change in control. Participants in the SPP, including the NEOs, are also eligible to receive a supplemental disability benefit 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.

Generally, pursuant to Mr. Leverett’s agreement, a change in control is deemed to occur:

(1) if any person or group acquires WEC Energy Group common stock that constitutes more than 50% of the total fair market value or total voting power of WEC Energy Group;

(2) if any person or group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) WEC Energy Group common stock that constitutes 30% or more of the total voting power of WEC Energy Group;

(3) if a majority of the members of WEC Energy Group’s Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of WEC Energy Group’s Board before the date of appointment or election; or

(4) if any person or group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) assets from WEC Energy Group that have a total gross fair market value equal to or more than 40% of the total gross value of all the assets of WEC Energy Group immediately before such acquisition or acquisitions, unless the assets are transferred to:

   - an entity that is controlled by the stockholders of the transferring corporation;
   - a stockholder of WEC Energy Group in exchange for or with respect to its stock;
   - an entity of which WEC Energy Group owns, directly or indirectly, 50% or more of its total value or voting power; or
   - a person or group (or an entity of which such person or group owns, directly or indirectly, 50% or more of our total value or voting power) that owns, directly or indirectly, 50% or more of the total value or voting power of WEC Energy Group.

Generally, pursuant to Mr. Leverett's and Mr. Fletcher's ILAs, good reason means:

(1) a material reduction in the executive's base compensation;

(2) a material change in the geographic location at which the executive must perform services;

(3) a material breach of the agreement by the Company; or

(4) with respect to Mr. Leverett's ILA only and solely in the context of a change in control, a material reduction of the executive's duties and responsibilities.

The employment agreement Mr. Klappa entered into upon commencement of his employment with WEC Energy Group in 2003 terminated upon his retirement in May 2016. Therefore, as of December 31, 2017, the only benefits Mr. Klappa was entitled to receive upon termination of employment were his retirement plan benefits and EDCP balance.

Payments under the Severance Pay Plan

Messrs. Lauber and Keyes, and Ms. Martin, have not entered into any agreement that provides for severance benefits upon a change in control or otherwise. All three 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 ($)
Allen L. Leverett							
Compensation:							
Cash Severance	—	—	—	6,392,458	9,588,687	—	—
Additional Pension Credited Service	—	—	—	4,090,055	4,440,982	—	—
Additional 401(k) and EDCP Match	—	—	—	255,698	383,547	—	—
Long-Term Incentive Compensation:							
Performance Units	—	3,404,538	—	7,035,601	7,035,601	7,035,601	7,035,601
Restricted Stock	—	—	—	1,851,138	1,851,138	1,851,138	1,851,138
Options	—	3,740,949	—	3,740,949	3,740,949	3,740,949	3,740,949
Benefits & Perquisites:							
Retirement Plans	325,820	14,664,022	325,820	9,531,327	9,556,472	14,664,022	5,482,505
Health and Welfare Benefits	—	—	—	34,489	63,995	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	54,000	54,000	—	—
Outplacement	—	—	—	30,000	30,000	—	—
Death Benefit	—	—	—	—	—	—	—
Total	325,820	21,809,509	325,820	33,015,715	36,745,371	27,291,710	18,110,193
Scott J. Lauber							
Compensation:							
Cash Severance	—	—	—	869,294	869,294	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	289,834	—	—	689,477	689,477	689,477
Restricted Stock	—	—	—	—	233,501	233,501	233,501
Options	—	317,060	—	—	317,060	317,060	317,060
Benefits & Perquisites:							
Retirement Plans	726,835	726,835	726,835	726,835	726,835	726,835	522,152
Health and Welfare Benefits	—	—	—	8,622	8,622	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	—
Total	726,835	1,333,729	726,835	1,604,751	2,844,789	1,966,873	1,762,190
J. Patrick Keyes							
Compensation:							
Cash Severance	—	—	—	275,768	275,768	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	965,294	—	—	1,887,941	1,887,941	1,887,941
Restricted Stock	—	—	—	—	547,184	547,184	547,184
Options	—	1,268,512	—	—	1,268,512	1,268,512	1,268,512
Benefits & Perquisites:							
Retirement Plans	128,857	642,902	128,857	642,902	642,902	642,902	615,786
Health and Welfare Benefits	—	—	—	8,622	8,622	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	—
Total	128,857	2,876,708	128,857	927,292	4,630,929	4,346,539	4,319,423

Executive Benefits and Payments Upon Separation	Voluntary Termination ($)	Normal Retirement ($)	For Cause Termination ($)	Involuntary Termination ($)	Termination Upon Change in Control ($)	Disability ($)	Death ($)
Susan H. Martin							
Compensation:							
Cash Severance	—	—	—	649,271	649,271	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	650,748	650,748	—	650,748	1,287,081	1,287,081	1,287,081
Restricted Stock	—	—	—	—	432,526	432,526	432,526
Options	812,535	812,535	—	812,535	812,535	812,535	812,535
Benefits & Perquisites:							
Retirement Plans	710,153	710,153	710,153	710,153	710,153	710,153	710,153
Health and Welfare Benefits	—	—	—	8,622	8,622	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	1,591,350
Total	2,173,436	2,173,436	710,153	2,831,329	3,900,188	3,242,295	4,833,645

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	—	—	—	1,306,032	1,306,032	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	425,086	—	—	893,749	893,749	893,749
Restricted Stock	—	—	—	—	265,255	265,255	265,255
Options	—	535,887	—	—	535,887	535,887	535,887
Benefits & Perquisites:							
Retirement Plans	5,080,939	5,080,939	5,080,939	5,080,939	5,080,939	5,080,939	3,047,015
Health and Welfare Benefits	—	—	—	51,733	51,733	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	1,310,400
Total	5,080,939	6,041,912	5,080,939	6,438,704	8,133,595	6,775,830	6,052,306

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. For 2017, the annual total compensation of Mr. Leverett, our principal executive officer serving in that position on October 7, 2017 (the date we selected to identify the median employee), of $13,642,237, as shown in the Summary Compensation Table above ("CEO Compensation"), was approximately 113 times the annual total compensation of a median employee of $120,223.

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, excluding Mr. Leverett, 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.

RISK ANALYSIS OF COMPENSATION POLICIES AND PRACTICES

As part of its process to determine the 2017 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 on 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.

WEC ENERGY GROUP COMMON STOCK OWNERSHIP

Beneficial Ownership. The following table lists the beneficial ownership of WEC Energy Group common stock of each director nominee, NEO, and of all of the directors and executive officers as a group as of January 31, 2018. 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, 2018. 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
John F. Bergstrom	16,186	—	16,186
Barbara L. Bowles	25,138	—	25,138
William J. Brodsky	40,891	—	40,891
Albert J. Budney, Jr.	8,841	—	8,841
Patricia W. Chadwick	23,608	—	23,608
Curt S. Culver	4,668	—	4,668
Danny L. Cunningham	2,104	—	2,104
William M. Farrow III	2,045	—	2,045
Thomas J. Fischer	41,749	—	41,749
J. Kevin Fletcher	9,384	85,300	94,684
J. Patrick Keyes	22,891	195,745	218,636
Gale E. Klappa	213,866	1,096,303	1,310,169
Henry W. Knueppel	16,251	—	16,251
Scott J. Lauber	17,433	24,900	42,333
Allen L. Leverett	89,023	521,620	610,643
Susan H. Martin	21,026	18,920	39,946
Ulice Payne, Jr.	31,337	—	31,337
Mary Ellen Stanek	7,269	—	7,269
All directors and executive officers as a group (27 persons)	690,149 (5)	2,285,638	2,975,787 (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: Mr. Bergstrom (65,455), Ms. Bowles (797), Mr. Budney (2,214), Mr. Culver (92,003), Mr. Fischer (4,718), Mr. Keyes (1,110), Mr. Lauber (1,183), Mr. Leverett (10,328), Ms. Martin (846), Ms. Stanek (20,285), and all directors and executive officers as a group (236,663). 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 the following individuals have shared voting and/or investment power (included in the table above) as indicated: Mr. Bergstrom (6,000), Mr. Brodsky (36,223), Mr. Budney (902), Mr. Fischer (35,081), Mr. Klappa (5,000), Mr. Knueppel (11,583), Mr. Leverett (55,923), Ms. Martin (4,996), Ms. Stanek (2,601), and all directors and executive officers as a group (158,309).

(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: Mr. Bergstrom (4,668), Ms. Bowles (4,668), Mr. Brodsky (4,668), Mr. Budney (4,668), Ms. Chadwick (4,668), Mr. Culver (4,668), Mr. Cunningham (2,104), Mr. Farrow (2,045), Mr. Fischer (4,668), Mr. Fletcher (4,112), Mr. Keyes (7,497), Mr. Klappa (60,035), Mr. Knueppel (4,668), Mr. Lauber (5,031), Mr. Leverett (30,027), Ms. Martin (6,341), Mr. Payne (4,668), Ms. Stanek (4,668), and all directors and executive officers as a group (182,452).

(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 0.94% of total WEC Energy Group common stock outstanding on January 31, 2018.

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, 2017. These holdings have not been otherwise adjusted for stock activity that may have occurred since December 31, 2017, 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, Inc. 100 Vanguard Blvd. Malvern, PA 19355	483,338	174,912	33,117,840	600,674	33,718,514	10.68%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	23,997,700	—	26,807,670	—	26,807,670	8.50%
State Street Corporation One Lincoln Street Boston, MA 02111	—	16,031,476	—	16,031,476	16,031,476	5.08%

(1) Filed on behalf of itself and certain of its subsidiaries.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, 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 2017 fiscal year. To the Company's knowledge, based on information provided by the reporting persons, all applicable reporting requirements for fiscal year 2017 were complied with in a timely manner.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Compensation Committee Interlocks and Insider Participation. None of the persons who served as members of the Compensation Committee during 2017 was an officer or employee of the Company during 2017 or at any time in the past nor had reportable transactions with the Company.

During 2017, 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.

CORPORATE GOVERNANCE AT WEC ENERGY GROUP

The Board of Directors provides oversight with respect to the Company's overall performance, strategic direction, opportunities and risk, corporate governance, and key corporate policies. It approves major initiatives, advises on key financial and business objectives, and monitors progress with respect to these matters. Members of the Board are kept informed of the Company's business by various reports and documents provided to the Board and its committees by the CEO and other key employees on a regular basis. The Board of Directors also makes decisions about the Board's and Company's leadership within a governance framework that provides the Board with flexibility to select the best structure based upon the specific needs of the business at the time and what it believes is in the best interest of stockholders. The following summarizes the governance framework under which the Board, its committees, and the Company operate.

CORPORATE GOVERNANCE FRAMEWORK

Since 1996, the Board has maintained Corporate Governance Guidelines which have been modified over the years in response to evolving governance best practices and stockholder expectations. WEC Energy Group was one of the earliest adopters of a formal set of Corporate Governance Guidelines. The guidelines address governance matters including director selection and election, determination of independence, Board leadership, Board committee structure and evaluation, chief executive officer performance evaluation, and management succession.

To maintain effective guidelines, the Corporate Governance Committee annually reviews the Company's governance practices, taking into consideration discussions with stockholders as part of our investor outreach and engagement program, industry surveys, and benchmarking studies, as well as governance guidelines published by proxy advisors.

The Company's Website, wecenergygroup.com, contains information on the Company's governance activities. The Website, under the "Governance" section, includes the Company's Articles of Incorporation, Bylaws, Code of Business Conduct, Corporate Governance Guidelines, charters for the Board's Audit and Oversight, Compensation, Corporate Governance, and Finance Committees, and other useful information.

As policies are continually evolving, the Company encourages you to periodically visit the Website. Copies of these documents may also be requested in writing from the Corporate Secretary.

WEC Energy Group's Code of Business Conduct

All WEC Energy Group directors, executive officers, and employees, including the principal executive, financial, and accounting officers, have a responsibility to comply with WEC Energy Group's Code of Business Conduct, to seek advice in doubtful situations, and to report suspected violations.

WEC Energy Group's Code of Business Conduct addresses, among other things: conflicts of interest; confidentiality; fair dealing; protection and proper use of Company assets; and compliance with laws, rules, and regulations (including insider trading laws). **The Company has not provided any waiver to the Code for any director, executive officer, or other employee.**

The Code of Business Conduct is posted in the "Governance" section of the Company's Website at wecenergygroup.com. It is also available in print to any stockholder upon request in writing to the Corporate Secretary.

The Company has several ways employees can raise questions concerning WEC Energy Group's Code of Business Conduct and other Company policies. As one reporting mechanism, the Company has contracted with an independent service for employees to confidentially and anonymously report suspected violations of the Code of Business Conduct or other concerns, including those regarding accounting, internal accounting controls, or auditing matters.

Company policies and procedures in place to review and approve related party transactions

The Code of Business Conduct addresses, among other things, what actions are required when potential conflicts of interest may arise, including those from related party transactions. Specifically, executive officers and members of the Board are required to obtain approval of the Audit and Oversight Committee Chair before: (1) 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; (2) participating in any joint venture, partnership, or other business relationship with WEC Energy Group or any of its subsidiaries; and (3) serving as an officer or member of the board of any substantial outside for-profit organization. Furthermore, before serving as an officer or member of the board of any substantial outside for-profit organization, the CEO must obtain the approval of the full Board; members of the WEC Energy Group Board must obtain the prior approval of the Corporate Governance Committee. In addition, executive officers must obtain the prior approval of the CEO before accepting a position with a substantial non-profit organization; members of the Board must notify the Compliance Officer when joining the board of a substantial non-profit organization, but do not need to obtain prior approval.

WEC Energy Group's Code of Business Conduct also requires employees and directors to notify the Compliance Officer of situations where family members are a supplier or significant customer of WEC Energy Group or employed by one. To the extent the Compliance Officer deems it appropriate,he will consult with the Audit and Oversight Committee Chair in situations involving executive officers and members of the Board.

BOARD LEADERSHIP STRUCTURE

Consistent with WEC Energy Group's bylaws and our Corporate Governance Guidelines, the Board retains the right to exercise its discretion in combining or separating the offices of Chief Executive Officer and Chairman of the Board. From May 1, 2016 to October 12, 2017, the office of CEO was separated from the office of Chairman of the Board. Gale Klappa served as Non-Executive Chairman and Allen Leverett served as CEO. On October 12, 2017, the Board appointed Gale Klappa to serve as CEO until Mr. Leverett, who is recovering from a stroke, can return to his normal duties. Mr. Klappa continues to serve as Chairman of the Board.

Independent Lead or Presiding Director

Director Bowles, an independent director and Chair of the Corporate Governance Committee, currently serves as presiding director. In that role, Director Bowles:

- presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent 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 provides input to meeting agendas for the Board and its Committees;
- reviews 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.

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 industry, as well as those directors who bring fresh and varied perspectives. Therefore, the Board is comprised of members with diverse backgrounds and tenure.

The Corporate Governance Committee annually evaluates each director nominee to confirm that he or she has the skills, education, experience, and qualifications required to help further the success of the Company's business and represent stockholder interests. Regular assessment of board skills and qualifications is incorporated into the board's succession planning process.

Contacting Members of 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 of Directors, all communication, other than advertising, promotion of a product or service, or patently offensive material, will be forwarded promptly to the addressee.

BOARD INDEPENDENCE

Director Independence and Review Process

No director will be deemed to be independent unless the Board affirmatively determines that the director has no material relationship with the Company. The Corporate Governance Guidelines provide that the Board should consist of at least a two-thirds majority of independent directors.

Director Independence Standards

The guidelines the Board uses in determining director independence are located in Appendix A of the Corporate Governance Guidelines. These standards of independence, which are summarized below, include those established by the New York Stock Exchange as well as a series of standards that are more comprehensive than New York Stock Exchange requirements. A director will be considered independent by the Board if the director:

- has not been an employee of the Company for the last five years;
- has not received, in the past three years, more than $120,000 per year in direct compensation from the Company, other than director fees or deferred compensation for prior service;
- is not a current partner or employee of a firm that is the Company's internal or external auditor, was not within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time, has no immediate family member who is a current partner of such a firm, or has no immediate family member who is a current employee of such a firm and personally works on the Company's audit;
- has not been an executive officer, in the past three years, of another company where any of the Company's present executives at the same time serves or served on that other company's compensation committee;
- in the past three years, has not been an employee of a company that makes payments to, or receives payments from, the Company for property or services in an amount which in any single fiscal year is the greater of $1 million or 2% of such other company's consolidated gross revenues;
- has not received, during the current calendar year or the immediately preceding calendar year, remuneration, other than de minimus remuneration, as a result of services as, or being affiliated with an entity that serves as, an advisor, consultant, or legal counsel to the Company or to a member of the Company's senior management, or a significant supplier of the Company;
- has no personal service contract(s) with the Company or any member of the Company's senior management;
- is not an employee or officer with a not-for-profit entity that receives 5% or more of its total annual charitable awards from the Company;
- is not employed by a public company at which an executive officer of the Company serves as a director; and
- does not have any beneficial ownership interest of 5% or more in an entity that has received remuneration, other than de minimus remuneration, from the Company, our subsidiaries or affiliates.

The Board also considers whether a director's immediate family members meet the above criteria, as well as whether a director has any relationships with WEC Energy Group's affiliates for certain of the above criteria, when determining the director's independence.

Meetings of the Independent Directors

At every regularly scheduled Board meeting, executive sessions are scheduled for the independent directors only, and these sessions are generally held.

BOARD COMMITTEES

The Board of Directors has the following committees: Audit and Oversight, Compensation, Corporate Governance, Finance, and Executive. All committees, except the Executive Committee, operate under a charter approved by the Board. The members and the responsibilities of each committee are listed on page P-23 of this proxy statement under the heading "Committees of the Board of Directors."

The Corporate Governance Committee

The Corporate Governance Committee is responsible for, among other things, identifying and evaluating director nominees. The chair of the Corporate Governance Committee coordinates this effort.

Independence of the Audit and Oversight, Corporate Governance, and Compensation Committees

The Audit and Oversight, Corporate Governance and Compensation Committees are all comprised solely of independent directors, as determined under New York Stock Exchange rules and the Board's Corporate Governance Guidelines. The Board has determined that each member of the Audit and Oversight Committee and of the Compensation Committee is independent under the rules of the New York Stock Exchange applicable to audit committee and compensation committee members, respectively. 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.

In addition, the Board has determined that all of the members of the Audit and Oversight Committee are financially literate as required by New York Stock Exchange rules and qualify as audit committee financial experts within the meaning of SEC rules.

Compensation Committee Administration of Executive and Director Compensation Programs

One of the principal responsibilities of the Compensation Committee is to provide competitive, performance-based executive and director compensation programs.

With respect to the executive compensation program, the Compensation Committee's responsibilities include:

- determining and annually reviewing the Compensation Committee's compensation philosophy;
- reviewing and determining the compensation paid to executive officers (including base salaries, incentive compensation, and benefits);
- overseeing the compensation and benefits to be paid to other officers and key employees;
- establishing and administering the CEO compensation package; and
- reviewing the results of the most recent stockholder advisory vote on compensation of the NEOs.

The Compensation Committee is also 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 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-34.

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-30 and to "Director Compensation" beginning on page P-24, respectively.

BOARD PERFORMANCE EVALUATIONS

Board Evaluation of the Performance of the CEO

The Compensation Committee, on behalf of the Board, annually evaluates the performance of the CEO and reports the results to the Board. As part of this practice, the Compensation Committee obtains from each non-management director his or her input on the CEO's performance, which input is then discussed in executive session with all non-management directors.

The CEO is evaluated in a number of areas including leadership, vision, financial stewardship, strategy development, management development, effective communication with constituencies, demonstrated integrity, and effective representation of the Company in community and industry affairs. The Chair of the Compensation Committee shares the evaluation results with the CEO. The process is also used by the Compensation Committee to determine appropriate compensation for the CEO. This procedure allows the Board to evaluate the CEO and to communicate the Board's expectations.

The Board's 2017 CEO evaluation of Mr. Leverett was deferred until he can return to his normal duties. However, in July 2017, approximately one year into Mr. Leverett's tenure as CEO, at the request of Mr. Leverett, a robust evaluation of Mr. Leverett's performance as CEO was conducted by an outside consultant. The consultant requested feedback from Mr. Leverett's direct reports. The results of the evaluation were reported to the Board.

Board and Committee Self-Evaluation Process

The Board annually evaluates its own performance where the presiding director conducts the evaluation. In 2017, the Board adopted the framework of questions developed by the National Association of Corporate Directors for use in conducting the performance evaluation. Each director independently considers a list of questions in five broad categories (1) Board composition and leadership; (2) Board committees; (3) Board meetings; (4) overall effectiveness of the Board; and (5) overall effectiveness of the Board with regard to management. Each director also considers several "reflection" questions relating to such things as: (1) key strengths of the Board; (2) providing appropriate oversight for key affairs of the Company (including its strategic plans, long-range goals, financial and operating performance, risks to the enterprise, and customer satisfaction initiatives); (3) recommendations to make the Board more effective; and (4) prioritization of skills, experience or background in terms of director recruitment. The Corporate Governance Committee uses the results of this process as part of its annual review of the Corporate Governance Guidelines and to foster continuous improvement of the Board's activities.

Each committee, except the Executive Committee, conducts an annual performance evaluation of its own activities and reports the results to the Board. The evaluation compares the performance of each committee with the requirements of its charter. The results of the annual evaluations are used by each committee to identify both its strengths and areas where its governance practices can be improved. Each committee may adjust its charter, with Board approval, based upon the evaluation results.

RISK OVERSIGHT BY THE BOARD

The Board oversees the Company's risk environment and has delegated specific risk monitoring responsibilities to the Audit and Oversight Committee and the Finance Committee as described in each committee's charter. Both of these committees routinely report back to the Board. The Board and its committees also receive regular briefings from management on specific areas of risk as well as emerging risks to the enterprise.

Over the course of the year, the Audit and Oversight Committee hears reports from management on the Company's major risk exposures in such areas as regulatory compliance, environmental, legal/litigation, technology security (cybersecurity), and ethical conduct, as well as steps taken to monitor and control such exposures. The Finance Committee discusses the Company's financial risk assessment and risk management policies; it also provides oversight of insurance matters to support the proper function of the risk management program. Both committees have direct access to, and meet as needed with, Company representatives without other management present to discuss matters related to risk management.

The CEO, who is ultimately responsible for managing risk, regularly reports to the Board on risk-related matters. As part of this process, the business unit leaders identify existing, new, or emerging issues or changes within their business areas that could have enterprise implications and report them to senior management. Management is tasked with ensuring that these risks and opportunities are appropriately addressed.

The Company has established an Enterprise Risk Steering Committee, comprised of senior level management employees, whose purpose is to foster an enterprise-wide approach to managing risk and compliance. The committee regularly reviews key risk areas and provides input to the development and implementation of effective compliance and risk management practices, including external audits. The results of each of these risk management efforts are reported to the CEO and to the Board or its appropriate committee.

The Board believes that its leadership structure and enterprise risk management program support the risk oversight function of the Board.

STOCKHOLDER OUTREACH AND ENGAGEMENT

Philosophy on Stockholder Engagement

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 helps provide valuable insight as to how our stockholders view the Company's practices and policies, helps us set goals and expectations, and helps identify emerging issues that may affect our strategy and/or corporate governance and compensation practices.

Steps the Company Takes to Engage with Investors

The Company's outreach and engagement program took many forms during 2017:

- Direct engagement by senior management with the Company's stockholders to discuss issues of interest, including corporate governance, executive compensation, and corporate responsibility practices. These conversations are reported to the Board and are taken into consideration when reviewing and modifying governance and compensation practices and policies.

- Investor presentations conducted at analyst meetings and investor conferences across the U.S., Canada, and Europe.
- CEO, CFO, and other senior management meetings and conference calls with stockholders to discuss corporate strategy, financial and business performance, and to update stockholders on key developments.
- Invitations to investors to listen to Webcasts of the Annual Meeting and quarterly earnings conference calls, and to view the annual report, news releases, Securities and Exchange Commission ("SEC") filings, and other significant corporate publications on our Website.
- The opportunity to attend and voice opinions at our Annual Meeting.
- The ability for stockholders to submit stockholder proposals and director nominees, and to formally nominate director candidates using proxy access as permitted under our bylaws.
- Annual election of directors, who are elected by majority vote in uncontested elections.
- Annual advisory vote on our executive compensation program ("say-on-pay").
- Strong Board committee structure, which allows the Board to focus on issues that matter most to our stockholders, including consideration of previous stockholder votes on say-on-pay, director elections, and other matters when developing policies and practices.
- Process for stockholders to directly correspond with individual directors via the Corporate Secretary (page P-66)

Governance Practices Evolving from Stockholder Engagement

Under the Board's oversight, Company leadership meets with investors throughout the year regarding business results, strategic direction, and corporate governance and compensation practices. In response to the investment community's request for more transparency about the Board's role in carrying out its oversight responsibilities, we have implemented a year-round stockholder engagement program. Key elements of this effort as they relate to governance practices are depicted below.

SUMMER	FALL	WINTER	SPRING
• Review results from Annual Meeting of Stockholders • Engage with stockholders to discuss voting results • Conduct annual assessment of corporate governance practices to identify potential areas of focus • Discuss voting results, investor feedback, and annual assessment with Board committees and full Board	• Meet with institutional investors to discuss our governance and compensation practices and to address questions or concerns • 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	• Approve any changes to corporate governance and compensation practices • Reach out to investors to discuss key changes • Develop disclosures for the proxy statement	• Publish annual disclosure documents (Form 10-K, Annual Report, Proxy Statement) • Hold Annual Meeting of Stockholders

The program outlined above is in addition to our ongoing, dedicated, investor relations program. As part of this proactive stockholder outreach, we had the opportunity to speak directly with large and small stockholders. Included were discussions held with a team from the School Sisters of Notre Dame (SSND), a global congregation of women religious with significant ties to the Milwaukee community, about our strategic initiatives, and the way in which we integrate environmental, social, and governance factors into our decision-making process. The SSND were particularly interested in discussing our view on the increasing priority expressed by investors and other stakeholders to limit future global temperature increases to less than two degrees Celsius, otherwise referred to as the "2-Degree Scenario." In an effort to be more transparent about our significant focus on this subject, we agreed to publish a preliminary 2-Degree assessment in our 2017 Corporate Responsibility Report (CRR), which we will publish in 2018, and a complete report on the assessment in the 2018 CRR, which we will publish in 2019. We look forward to continuing our dialogue with our stockholders on this subject.

STOCKHOLDER NOMINEES AND PROPOSALS

Candidates for director nomination may be proposed 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. No formal stockholder nominations or recommendations for director candidates were received.

Stockholders wishing to propose director candidates for consideration and recommendation by the Corporate Governance Committee for election at the 2019 Annual Meeting of Stockholders must submit the candidates' names and qualifications to the Corporate Governance Committee no later than November 1, 2018, via the Corporate Secretary, Margaret C. Kelsey, at the Company's principal business office, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201. 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.

Proxy Access

Stockholders voted in favor of a non-binding proxy access bylaw proposal that was considered at the 2016 Annual Meeting of Stockholders. After this vote, the Company conducted an extensive evaluation that included feedback from (1) our top institutional investors, (2) proxy advisors, and (3) the proponent of the stockholder proposal. Based upon its evaluation and stockholder feedback, the Board adopted a proxy access bylaw in October 2016. The bylaw allows a stockholder (or a group of up to 20 stockholders) who own at least 3% of our stock for a period of three years the right to nominate candidates for up to the greater of 2 nominees or 20% of the Board.

Submitting Proposals for the 2019 Annual Meeting of Stockholders

Stockholders who intend to have a proposal considered for inclusion in the Company's proxy materials for presentation at the 2019 Annual Meeting of Stockholders must submit the proposal to the Company no later than November 22, 2018.

Stockholders who intend to present a proposal at the 2019 Annual Meeting of Stockholders without inclusion of such proposal in the Company's proxy materials, or who propose to nominate a person for election as a director at the 2019 Annual Meeting, 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 2019 Annual Meeting of Stockholders. The 2019 Annual Meeting of Stockholders is tentatively scheduled for May 2, 2019.

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 2019 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 23, 2018 and no later than November 22, 2018.

Correspondence in this regard 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.

INFORMATION RELATED TO THE ANNUAL MEETING

BUSINESS OF THE ANNUAL MEETING

Proposal 1: Election of Fourteen Directors for Terms Expiring in 2019. The Board recommends a vote **FOR** each of the nominees. The fourteen 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: Ratification of Deloitte & Touche LLP as Independent Auditors for 2018. 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.

Proposal 3: 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.

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 22, 2018, 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 St., 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 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 10:59 p.m., Central time, on Wednesday, May 2, 2018.

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 3, 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 22, 2018 Record Date, there were 315,538,808 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 Internet or phone;
- 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 St., 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 9, 2018, 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 22, 2018, 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
  - 2017 Annual Report
  - Form of Proxy
- **Vote your proxy online or by telephone. (Page P-3)**
- **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, PO 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?

The Meeting is open to all stockholders of WEC Energy Group. **You must pre-register to reserve an admission ticket** and then present your government-issued photo identification at the door in order to attend.

If you would like to attend, please contact Stockholder Services by email at wec.stockholder-services.contact@wecenergygroup.com or by telephone at 800-881-5882 to reserve an admission ticket. If you hold your shares in "street name" through an intermediary, such as a bank, brokerage firm, or other nominee, and you would like to attend the Meeting, please send us a written request for an admission ticket 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 reserve admission tickets will be processed in the order in which they are received and must be received no later than five business days before the Meeting, or Thursday, April 26, 2018. If we cannot confirm you are a registered stockholder or beneficial owner, we will contact you for further information.

Admission tickets will be available for pick-up at the Meeting. All Meeting attendees will be asked to present a government-issued photo identification card before receiving a ticket. 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 10:00 a.m., Central time. Check-in will begin at 9:00 a.m. Please allow ample time for check-in procedures.

What attendance guidelines apply to the Annual Meeting?

If you plan to attend the Meeting, please review the following attendance guidelines:

- **You must pre-register and reserve an admission ticket in order to attend.**
- You will be asked to check in upon entry into the R. John Buuck Field House and present government-issued photo identification, such as a driver's license, state identification card, or passport. We will verify your name against our stockholder list and will then provide you with an admission ticket.

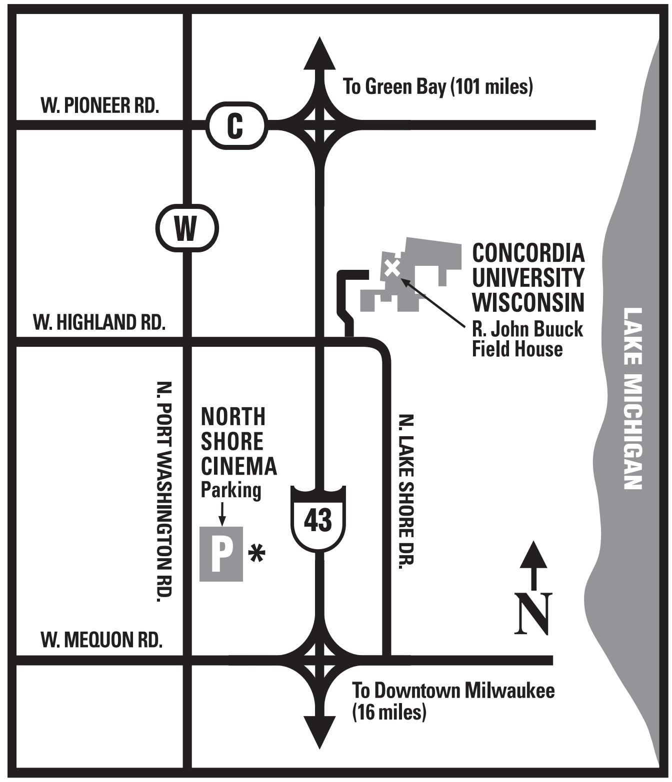
- The Company reserves the right to inspect all items, including handbags and briefcases, prior to admittance.
- The business of the Meeting will follow as set forth in the agenda, which you will receive upon check-in.
- Stockholder questions and comments related to the business of the Company will be 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. 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.
- No firearms or weapons will be allowed in the Meeting facilities.
- No signs, banners, placards, handouts, and similar materials will be allowed on Meeting premises.

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.

MAP TO THE ANNUAL MEETING



There is no parking at the Annual Meeting site. Please park at the North Shore Cinema only (11700 N. Port Washington Road, Mequon, WI 53092). Shuttle buses will run from the parking site to the Annual Meeting site.

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, 2017, 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 2017 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

Net Income - Common Stockholders (in millions)	2017	2016
WEC Energy Group GAAP	$ 1,203.7	$ 939.0
Tax benefit related to Tax Cuts and Jobs Act of 2017	(206.7)	—
Acquisition costs (pre-tax)	—	3.5
Tax impact of acquisition costs	—	(1.4)
WEC Energy Group adjusted net income	$ 997.0	$ 941.1

Diluted Earnings Per Share	2017	2016	2015	2014
WEC Energy Group GAAP EPS	$ 3.79	$ 2.96	$ 2.34	$ 2.59
Tax benefit related to Tax Cuts and Jobs Act of 2017	(0.65)	—	—	—
Acquisition costs	—	0.01	0.30	0.06
WEC Energy Group adjusted EPS	$ 3.14	$ 2.97	$ 2.64	$ 2.65

We have provided adjusted earnings (non-GAAP earnings) as a complement to, and not as an alternative to, reported earnings presented in accordance with GAAP. Adjusted earnings 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 as well as costs related to the acquisition of Integrys, neither of which is indicative of the Company's operating performance. Therefore, we believe that the presentation of adjusted earnings 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 40202
- If sending overnight correspondence, mail to:
  WEC Energy Group
  c/o Computershare
  462 South 4th Street
  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. Please 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, 2017. 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 2018 Annual Meeting of Stockholders. Last year, we filed this certification on May 26, 2017.

CR's 100 Best Corporate Citizens 2017

Corporate Responsibility

WEC Energy Group is committed to sustainable business practices — aligning our policies and practices with the needs of key stakeholders, and managing risk while accounting for the company's economic, environmental and social impacts.

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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