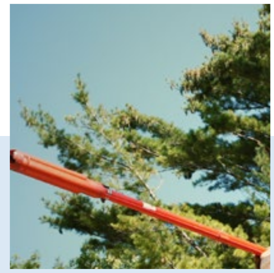
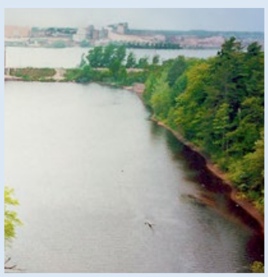
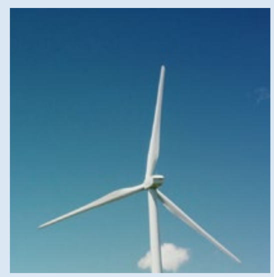
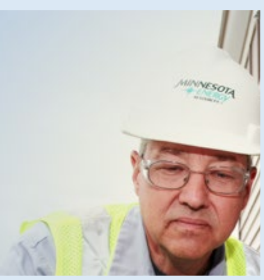
WEC Energy Group

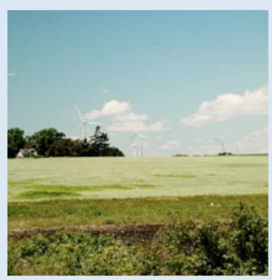


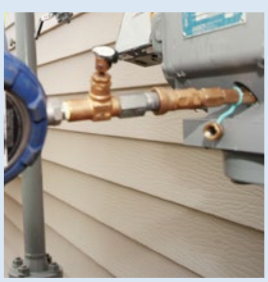
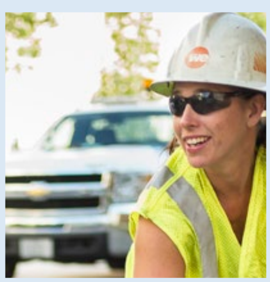
One company. One team. **It's only the beginning.**

2015 **CORPORATE RESPONSIBILITY REPORT**



About this report

This is the Corporate Responsibility Report for WEC Energy Group Inc. (WEC) covering year 2015 reporting period.

We are headquartered in Milwaukee, Wisconsin. During 2015, operations were conducted primarily in the following reportable segments: Wisconsin, Illinois, Other States, Electric Transmission, W.E. Power LLC (WE Power) and Corporate and Other. Primary subsidiaries during the first two quarters of 2015 were Wisconsin Electric Power Co., Wisconsin Gas LLC and WE Power. Primary subsidiaries during the last two quarters of 2015, after the acquisition of Integrys Energy Group Inc., also included Wisconsin Public Service Corp., Michigan Gas Utilities Corp., Minnesota Energy Resources Corp., The Peoples Gas Light and Coke Co., and North Shore Gas Co.

This report covers WEC on a consolidated basis and its subsidiaries. The performance data is focused on the operations of Wisconsin Electric, Wisconsin Gas (doing business as We Energies), and Wisconsin Public Service in Wisconsin and Michigan, Michigan Gas Utilities in Michigan, Minnesota Energy Resources in Minnesota, and Peoples Gas and North Shore Gas in Illinois. Report content does not include performance data from external organizations or activities over which the company has limited control or influence, such as contractors and suppliers.

Previous reports are available in the Corporate Responsibility section of the WEC Energy Group website.

Note: No report was issued in 2007. Data can be found in tables in subsequent reports.

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» Due to the timing of the release of this report, some content reflects updated 2016 information.

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Allen L. Leverett
President and
Chief Executive Officer

Message from the President and Chief Executive Officer

More than 8,400 employees of WEC Energy Group are committed to social responsibility and sustainable business practices as they pursue excellence for our customers and stockholders every day. We understand that corporate responsibility means aligning our policies and practices with the needs and concerns of our key stakeholders while managing risk, and accounting for our economic, environmental and social impact.

It is a privilege to write this message as the president and chief executive officer, succeeding Gale E. Klappa, who retired May 1, 2016, and now serves as non-executive chairman of the board. As noted in last year's Corporate Responsibility Report, our organization has undergone a significant transformation. We announced in 2014 our plan to acquire Integrys Energy Group in a transaction valued at $9 billion. On June 29, 2015, Wisconsin Energy completed the acquisition of Integrys Energy, forming WEC Energy Group.

Today, we are one of the nation's largest electric and natural gas delivery companies, with deep operational expertise, scale and financial resources to meet our region's future energy needs. We have a strong platform for growth — a platform focused on the energy needs of 4.4 million customers in Wisconsin, Illinois, Michigan and Minnesota.

We achieved several milestones in 2015 that demonstrate our continued focus on execution, delivering world-class results, and creating value for our customers and stockholders.

- We Energies was named the most reliable utility in the Midwest for the fifth consecutive year. In national studies, We Energies again ranked in the top quartile in the Midwest for customer service and power quality, and the top quartile nationally for customer service.
- Wisconsin Public Service was ranked number two in the Midwest for overall customer satisfaction among mid-sized utilities.
- Employees at We Energies achieved a safety milestone, recording the safest year in more than 115 years of operation.
- We invested nearly $780 million in our core Wisconsin energy business, with all major projects on time and on budget. The conversion of our Valley

Power Plant near downtown Milwaukee from coal to natural gas was completed, and we placed into commercial service an 85-mile expansion of our natural gas distribution network in western Wisconsin – the largest expansion of our natural gas distribution in our history.

Through disciplined cost control and effective planning, we delivered solid operating earnings in 2015 and a strong total return for investors.

Investment opportunities ahead

Looking ahead, assessing the reliability needs of our customers, we expect to invest more than $1.5 billion a year in new, modern infrastructure to satisfy customers in today's digital, just-in-time world.

We estimate that more than half of our capital investments – about $800 million annually – will be dedicated to our natural gas delivery business, providing safer and more reliable infrastructure and extending our distribution network to additional customers in the Midwest. We also plan to spend about $400 million a year to upgrade and strengthen our electric delivery networks.

We expect the remaining investments – about $300 million a year – will be focused on our generating fleet and corporate infrastructure. These projections do not include any potential capital that would be needed for compliance with the Clean Power Plan.

The Clean Power Plan was introduced in 2015 by the Environmental Protection Agency. The ultimate goal of this new regulation is to dramatically reduce carbon dioxide (CO_2) emissions across the U.S. by the year 2030. A specific target has been set for each state. In Wisconsin, for example, the plan calls for a 41 percent reduction in CO_2 emissions with an interim target set for 2022.

The U.S. Supreme Court has stayed the regulation. However, if the plan survives all legal challenges, additional investments in transmission, renewable energy and natural gas-fueled power plants may well be needed.

Incidentally, more than 50 percent of the electricity we delivered to our customers in 2015 already was derived from low- or no-carbon sources such as natural gas, nuclear fuel, wind farms and hydroelectric facilities. Furthermore, less than 30 percent of our revenues come from coal-based generation.

Continued progress on multiyear projects

We are making good progress on three multiyear projects that clearly will benefit our customers: the Twin Falls hydroelectric rebuild, fuel flexibility initiative at our Oak Creek Expansion Plant, and replacement of aging natural gas mains in Chicago.

In summary

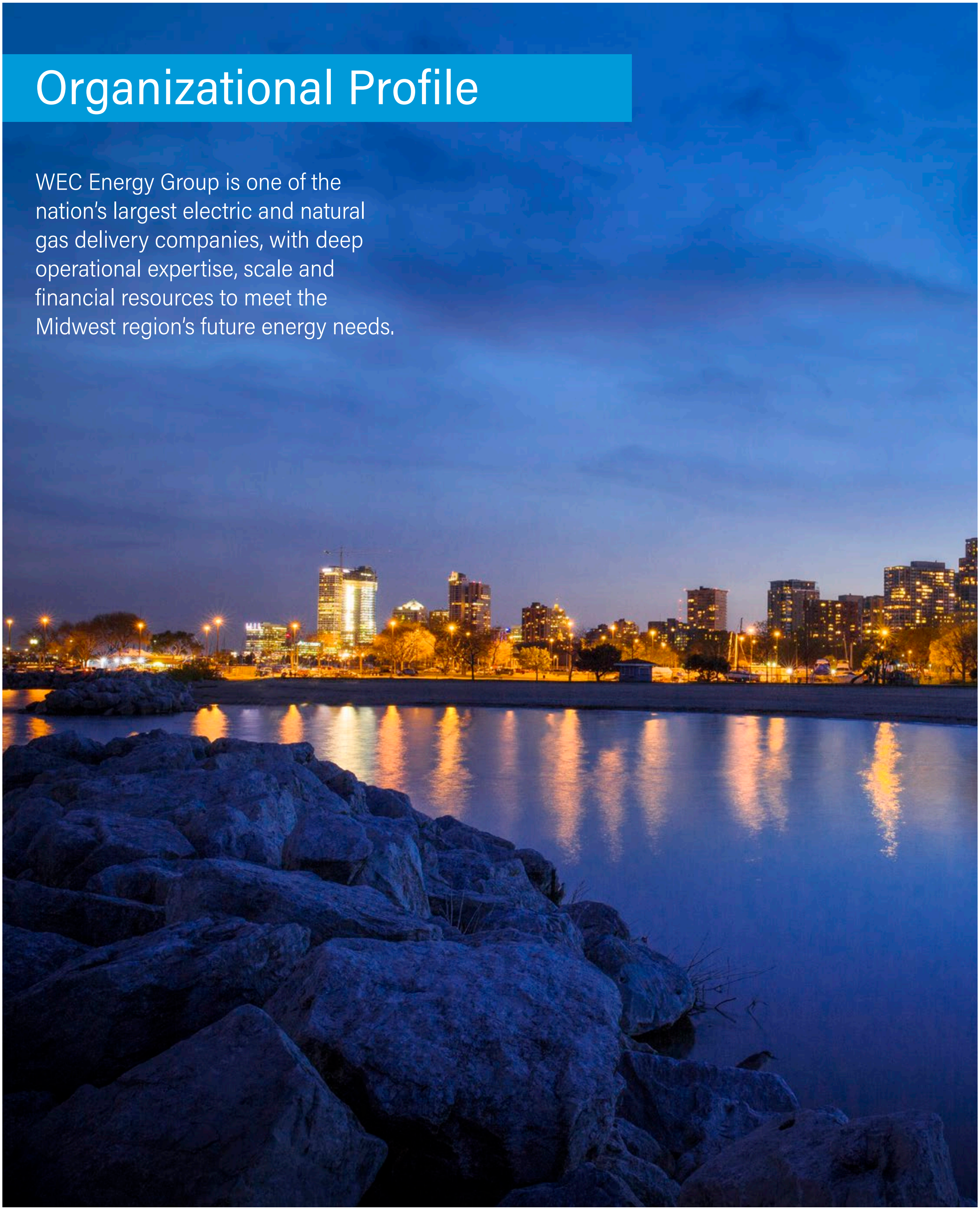
Our company stands on a firm foundation, with more than a century of operating history. We continue to build on that foundation as we execute our responsibilities as a conscientious corporate citizen in the regions we serve, as environmental stewards and as financially disciplined, efficient operators to our customers and shareholders.

Sincerely,

Allen L. Leverett
President and Chief Executive Officer

Organizational Profile

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 future energy needs.



History

We have been growing for generations

1800

1850 Founded – Peoples Gas Natural Gas Delivery

1859 Founded – Michigan Gas Utilities

1883 Founded – WPS Wisconsin Public Service

1896 The Milwaukee Electric Railway and Light Co. (Wisconsin Electric) founded.

1900

1900 Founded – North Shore Gas Natural Gas Delivery

1930 Founded – Minnesota Energy Resources

1962 Peoples Gas acquires North Shore Gas.

1987 Wisconsin Energy Corp. (WEC) is formed. Wisconsin Electric becomes a subsidiary.

2000

2000 WEC acquires WICOR (Wisconsin Gas).

2002 Wisconsin Gas and Wisconsin Electric operate under the trade name We Energies.

2006 WPS Resources acquires Minnesota Energy Resources and Michigan Gas Utilities.

2007 WPS Resources acquires Peoples Gas and North Shore Gas. Integrys Energy Group founded. Wisconsin Public Service, Peoples Gas, North Shore Gas, Minnesota Energy Resources and Michigan Gas are subsidiaries.

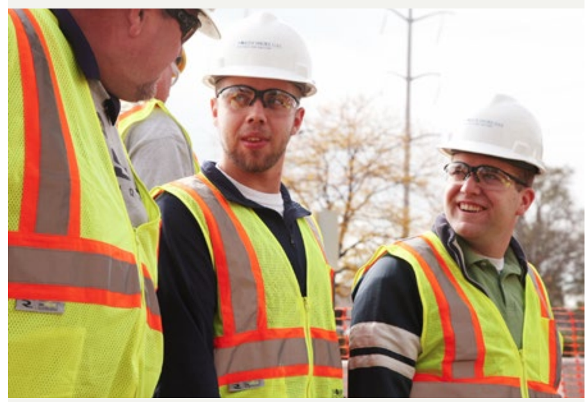
2015 Wisconsin Energy acquires Integrys and forms WEC Energy Group.

Key facts

Customer accounts (as of December 2015)

We Energies	
Electric accounts	1,140,100
Natural gas accounts	1,097,500
Steam accounts	430
Residential accounts	2,022,500
Commercial and industrial accounts	210,600
Wisconsin Public Service	
Electric accounts	449,200
Natural gas accounts	328,100
Residential accounts	691,200
Commercial and industrial accounts	84,900
Minnesota Energy Resources	
Residential accounts	207,350
Commercial and industrial accounts	23,307
Michigan Gas Utilities	
Residential accounts	138,467
Commercial and industrial accounts	10,457
North Shore Gas	
Residential accounts	133,100
Commercial and industrial accounts	9,200
Peoples Gas	
Residential accounts	705,100
Commercial and industrial accounts	37,000

4.4 million
Total customer accounts
(as of December 2015)



8,440
Active regular employees
(as of December 2015)

WEC financial statistics (for year-end 2015)

Operating revenue	$5,926.1 million
Operating income	$1,250.5 million
Net income	$640.3 million
Adjusted earnings per share (diluted)	$2.73
Annualized dividend paid per common share	$1.83
Quarterly dividend/share common stock	$0.495*
Common registered stockholders	54,206
Common shares outstanding (basic)	271.1 million

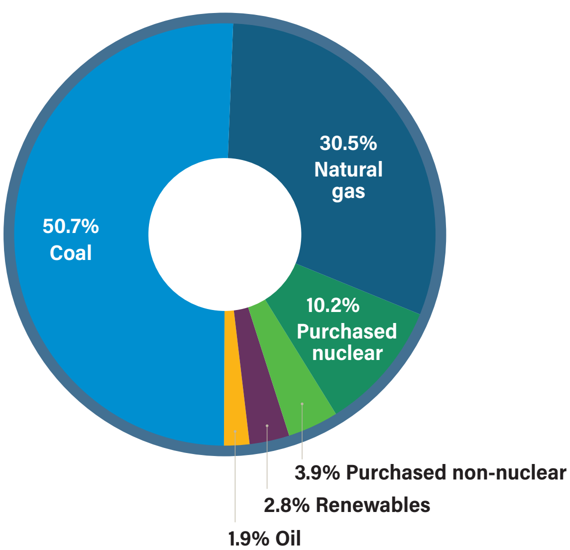
* On Jan. 21, 2016, the board of directors increased the quarterly dividend to $0.495 per share effective with the first quarter of 2016 dividend payment, which equates to an annual dividend of $1.98 per share.

Earnings per share GAAP reconciliation	2015	2014
WEC Energy Group GAAP EPS	$2.34	$2.59
Acquisition costs (post-tax)	$0.39	$0.06
Integrys Energy Group earnings	$(0.47)	–
Impact of additional shares	$0.47	–
Wisconsin Energy Corporation adjusted EPS	$2.73	$2.65

Generation and distribution service area statistics
(as of December 2015)

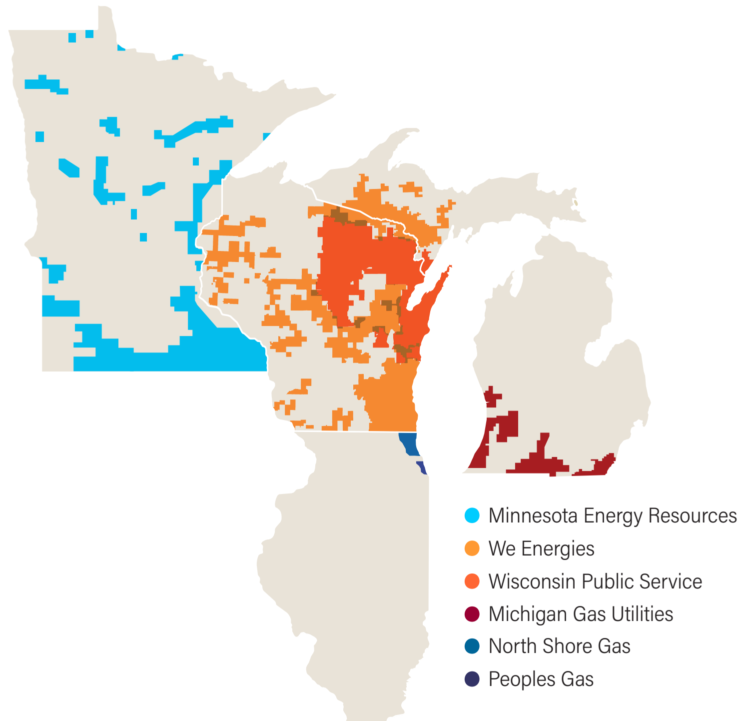
Generating facilities	59
Hydroelectric	30
Coal	10
Combustion turbine	8
Combined cycle	2
Gas-driven steam turbine	2
Wind turbine stations	6
Biomass (fluidized bed boiler)	1
Generating capacity at peak	10,018 MW
Electric distribution lines	65,445 miles
Overhead	35,897 miles
Underground	29,548 miles
Substations	484
Natural gas mains	45,285 miles
High-/Low-pressure steam piping	16 miles
Milwaukee	13 miles
Wauwatosa	3 miles

Generating capacity by fuel type

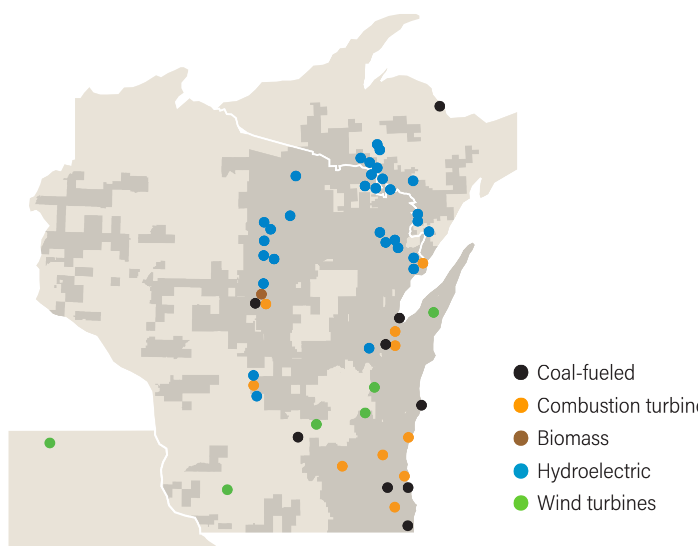


2015 data for WEC Energy Group (We Energies, Wisconsin Public Service and Wisconsin River Power Co.)

WEC Energy Group electric and natural gas service areas



WEC Energy Group generation facilities



Highlights

We completed the acquisition of Integrys Energy Group Inc., on June 29, 2015, forming WEC Energy Group, a leading electric and natural gas utility system in the Midwest. WEC Energy Group is now the eighth-largest natural gas distribution company in the country and one of the 15 largest investor-owned utility systems in the U.S.

Following the completion of the acquisition we have:

- Achieved staffing, contracting and supply chain efficiencies through the alignment of our utilities in Wisconsin
- Initiated streamlining of information technology infrastructure
- Implemented enterprise-wide application investments across major functional platforms
- Achieved savings through consolidated vendor and supplier contracts, negotiating most favorable terms
- Implemented programs and established consistent measurements of customer satisfaction across all six utilities
- Initiated a review of processes to drive performance improvement, standardization and cost reduction

» Across our companies, employees are focused on these fundamentals: world-class reliability, operating efficiency, financial discipline and exceptional customer care.

Safety performance

Across our companies, employees are focused on Target Zero, a commitment by all to work safely every day. Our goal is zero harm and zero injuries. For more than 10 years, our companies have improved their safety records by reducing the number of Occupational Safety and Health Administration (OSHA)-recordable cases and the number of lost-time incidents by more than 60 percent.

We Energies reached a milestone in 2015, achieving the safest year in more than 115 years of operation.

We Energies	2014	2015
OSHA recordables	54	41
Lost-time injuries	14	8

Focus on reliability and customer satisfaction

Our energy companies received several high customer satisfaction and reliability rankings in 2015:

- We Energies was named the most reliable utility in the Midwest for the fifth consecutive year.
- In national studies, We Energies again ranked in the top quartile in the Midwest for customer service and power quality, and the top quartile nationally for customer service.
- Wisconsin Public Service (WPS) was ranked number two in the Midwest for overall customer satisfaction among mid-sized utilities.

Infrastructure improvements

In today's digital, just-in-time world, customers rely to a greater degree than ever before on the continuous flow of electricity and natural gas. To improve reliability, our companies expect to invest at least $1.5 billion a year in modernized infrastructure.

Between 2015 and 2019, our companies plan to:

- Rebuild 2,500 miles of electric distribution lines that are more than 50 years old
- Upgrade electric infrastructure by replacing 7,000 power poles, 22,000 transformers and hundreds of substation components
- Improve the natural gas distribution network by replacing 1,100 miles of vintage plastic and steel mains, 83,000 individual distribution lines and 233,000 meter sets

Project milestones

Valley Power Plant – Conversion of the second unit at Valley Power Plant in downtown Milwaukee from coal-fueled to natural gas-fueled was completed in 2015. This We Energies project represents an investment of approximately $60 million and was completed on time and on budget. Changing the fuel source has reduced operating costs and enhanced environmental performance without decreasing the plant's capacity.

West Central Natural Gas Expansion – Construction of a natural gas supply line in western Wisconsin began in 2014 and was completed in November 2015. The new natural gas lateral serves the communities between Eau Claire County and the city of Tomah in Monroe County. This We Energies project was completed on time and better than budget at approximately $130 million.

System Modernization Program (formally known as Accelerated Main Replacement Program) – A system modernization program at Peoples Gas that involves replacing approximately 2,000 miles of Chicago's aging natural gas pipeline. Old cast- and ductile-iron pipes and facilities in the natural gas delivery system for Chicago are being replaced with modern polyethylene pipes for long-term system safety and reliability. In 2015, approximately 76 miles of cast-iron main were retired from service, and 8,944 service pipes, 24,592 meters, 77 miles of main and 2.2 miles of high-pressure main were installed. The project was approximately 18 percent complete.

System Modernization and Reliability Project – WPS continues work on its System Modernization and Reliability Project, which involves modernizing parts of its electric distribution system by burying or upgrading lines. The $220 million projected investment focuses on electric lines that currently have the lowest reliability in its system, primarily in rural areas that are heavily forested. More than 1,000 miles of overhead distribution power lines will be moved to underground in northern Wisconsin. In addition, as part of this project, WPS also will add distribution automation equipment on 400 miles of lines. The project began in 2014 and is expected to be completed in 2018. In 2015, WPS installed 230 miles of underground cable, 795 underground electric services and 1,409 pad-mount transformers. In addition, two distribution automation projects were completed.

Twin Falls – We Energies is building a modern powerhouse at this hydroelectric plant that borders Wisconsin and the Upper Peninsula of Michigan on the Menominee River. The new powerhouse is being built on the Wisconsin side of the Menominee River to replace the current one on the Michigan side. The project also includes additional spillway capacity to meet current Federal Energy Regulatory Commission (FERC) safety standards. The project has an expected investment of $60 million to $65 million. Work began in October 2014 and is scheduled for completion in the summer of 2016.

Oak Creek Fuel Flexibility – This We Energies project is expected to create fuel flexibility and enable the Oak Creek units that went into service in 2010 and 2011, respectively, to operate at lower costs, placing these units in a better position to be called upon in the Midcontinent Independent System Operator (MISO) energy markets, resulting in lower fuel costs for our customers. The project includes a $21 million projected investment for plant modifications, and $58 million projected investment for storage and fuel handling.

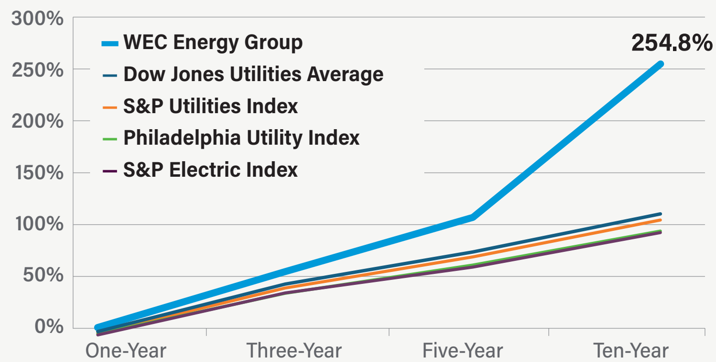
Earnings and financial strength

Earnings increased $50.2 million, driven by a $30.1 million net increase in earnings due to the inclusion of Integrys results, partially offset by acquisition costs recorded by us and our subsidiaries. Earnings per share in 2015 were $2.34.

Stockholder return

Our total return to stockholders has significantly outperformed the Dow Jones Utilities Average, S&P Utilities Index and Philadelphia Utility Index over the past 10 years. Our total stockholder return, assuming reinvested dividends, for 10 years, was 254.8 percent.

Industry-leading total stockholder returns



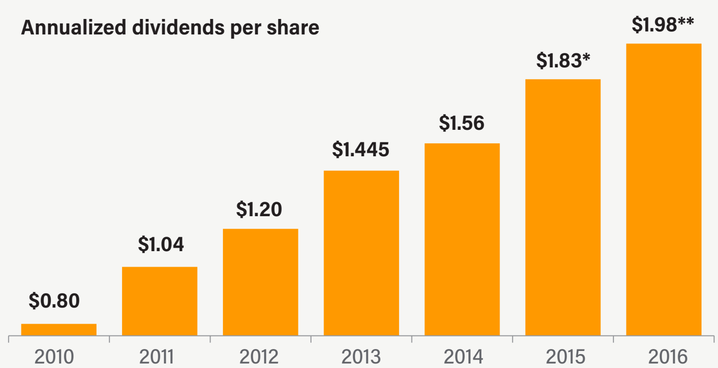
Annualized returns for periods ending 12/31/15
Source: Bloomberg data assumes all dividends were reinvested and returns were compounded daily.

Dividends

In January 2015, we increased the quarterly dividend to $0.4225 per share, raising the annual dividend to $1.69 per share. Then, effective at the closing of the Integrys acquisition, we increased the quarterly dividend to $0.4575 per share, which is equivalent to an annual rate of $1.83 per share. This represents a 17.3 percent increase in 2015. In January 2016, we again raised the quarterly dividend to $0.4950 per share, which is equivalent to an annual rate of $1.98 per share representing a 8.2 percent increase. Going forward, we expect to pay out 65 to 70 percent of our earnings in dividends, and we project our dividends to grow in line with the growth in earnings per share.

Industry-leading dividend growth

Annualized dividends per share



*Annualized based on 4th quarter 2015 dividend of $0.4575
**Annualized based on new quarterly dividend of $0.4950
Dividend payments are subject to approval by board of directors

Awards and recognition

2015 Tree Line USA award from the Arbor Day Foundation – We Energies has been honored with this award every year since 1998. Tree Line USA is a national program that recognizes public and private utilities for practices that protect and enhance America's urban forests. This program is a collaboration of the Arbor Day Foundation and the National Association of State Foresters. We Energies achieved the award by meeting certain standards including training employees in quality tree-care practices, educating the public about planting trees for energy conservation and helping homeowners plant appropriate trees near utility lines.

Wisconsin Public Service was recognized in 2015 for its 20th year of being named a Tree Line USA Utility. The honor recognizes WPS for following best practices that demonstrate how trees and utilities can co-exist for the benefit of communities and the people who live there.

2020 Women on Boards – The organization named Wisconsin Energy a Winning 'W' Company recognizing the importance of board diversity and having 20 percent or more women on the board of directors.

BizTimes – The publication named WEC Energy Group as its Corporation of the Year for its acquisition of Integrys Energy Group, which grew WEC's employee base and regional reach.

BizTimes.com – The website recognized We Energies for innovation in its sustainability practices for energy byproducts by serving as the industry-leading example when it comes to recycling and repurposing materials from its facilities.

EEI Supplier Diversity Initiative - We Energies' Supplier Diversity Initiative (SDI) has been recognized by the Edison Electric Institute (EEI) for creative efforts to promote a diverse supplier base. We Energies also received EEI's 2015 Supplier Diversity Innovation Award, along with Arizona Public Service Co. Since 2002, the company's SDI spending has increased 966 percent by using innovative approaches to build meaningful relationships with certified diverse businesses.

Greater Milwaukee Committee – In conjunction with Milwaukee Women Inc., the organization named Gale Klappa, Wisconsin Energy chairman and CEO (now non-executive chairman), as winner of its third annual Mary Ellen Stanek Award for Diversity in Corporate Governance. The award is given to an individual or entity exhibiting leadership, influence and impact resulting in increased diversity on corporate boards in the region.

Institutional Investor magazine – The magazine named WEC Energy Group Chairman and CEO (now non-executive chairman), Gale Klappa to its All-America Executive Team for the sixth consecutive year. In the 2015 study, Klappa was ranked as one of the top three electric utility CEOs and the best CEO of a purely regulated utility.

Literacy Services of Wisconsin (LSW) – The organization recognized We Energies with its Key-Maker Award for the company's many years of support to LSW at the agency's 50th anniversary celebration. The award is presented to companies that have shown long, consistent and generous support to LSW by providing the needed funds to fuel change and transformation through literacy to unlock the potential of more than 30,000 adults in Wisconsin.

Milwaukee Fire Department Community Hero award – The Milwaukee Fire Department (MFD) honored We Energies at its Meritorious and Community Service Awards ceremony in October 2015. The annual ceremony celebrates courageous men and women of the MFD, Milwaukee Police Department and civilians who have gone above and beyond the call of duty. We Energies was recognized with a Community Hero Award for the company's close partnership with MFD when responding to emergencies.

North Central Minority Supplier Development Council – The council named We Energies the 2015 Corporation of the Year for its commitment to supplier diversity.

PA Consulting Group – For the fifth year in a row, We Energies received the ReliabilityOne award for outstanding electric reliability in the Midwest. The annual award recognizes utilities that excel in delivering reliable electric service.

Public Utilities Fortnightly– The publication ranked Wisconsin Energy third in its 2015 list of 40 Best Energy Companies, up from fifth in 2014. The annual survey of power and gas company performance ranks companies on the financial categories of profitability, dividend yield, cash flow, return on equity and return on assets – along with a sustainable growth-rate calculation – to produce an overall picture of a company's value and long-term prospects. The model evaluates four years of results for publicly traded, U.S.-based companies with major assets in energy production, transportation and retail delivery, and positive stockholder value.

UPAF Epic Award – We Energies received the Milwaukee-based United Performing Arts Fund (UPAF) Epic Award in recognition of its exceptional performance in the 2015 UPAF Campaign. Company leadership displayed strong support of UPAF, and employee giving increased 8.1 percent over 2014. The company hosted its first-ever member group fair and invited UPAF member groups in to display and share information with employees. We Energies also donated and displayed a 180' X 20' banner on a We Energies building throughout the entire UPAF community campaign.

Wealth & Finance Magazine – The magazine named WEC Energy Group as "Best Electric & Natural Gas Provider – USA" in its 2015 Wealth & Finance Business Awards, which recognize firms that demonstrate excellence through innovative methods and outstanding results.

Strategic priorities

We are a diversified holding company with natural gas and electric utility operations (serving customers in Wisconsin, Illinois, Michigan and Minnesota), an approximate 60 percent equity ownership interest in American Transmission Co. (ATC) (a federally and state regulated electric transmission company) and nonutility power generation operations through our We Power business.

Corporate strategy

Our goal is to create long-term value for our stockholders and the customers of our utility companies by focusing on reliability, environmental performance and exceptional customer care.

Reliability

Our companies have been making capital investments in recent years to strengthen reliability of our generation and distribution networks. Through 2019, our companies plan to invest $3.3 billion to $3.5 billion in infrastructure to renew and modernize the power grid, meet new environmental standards and reduce operating costs.

The projects to rebuild or replace infrastructure that have been completed or are in progress include:

West Central Wisconsin Natural Gas Expansion - This We Energies project went into service in early November 2015. This natural gas lateral will allow the company to improve reliability of its natural gas distribution network in western Wisconsin and better meet customer demand.

System modernization Program - Peoples Gas is continuing its natural gas system modernization program with an expected investment of approximately $250 million to $280 million annually. The project involves replacing approximately 2,000 miles of Chicago's aging natural gas pipeline. Old cast- and ductile-iron gas pipes and facilities in the natural gas delivery system are being replaced with modern polyethylene pipes for long-term system safety and reliability. The project, which began in 2011, has created more than 1,000 jobs since its inception.

System Modernization Reliability Project (SMRP) - Wisconsin Public Service (WPS) continues work on this multiyear project to modernize parts of its electric distribution system by burying or upgrading lines. The $220 million projected investment focuses on electric lines that currently have the lowest reliability in its system, primarily in rural areas that are heavily forested. More than 1,000 miles of overhead distribution power lines will be moved to underground in northern Wisconsin. WPS also will add distribution automation equipment on 400 miles of lines. The project was launched in 2014 and is expected to be completed in 2018.

Delivering the Future - This We Energies initiative spans multiple years and includes infrastructure investments that will renew and modernize its delivery networks, meet new environmental standards and reduce operating costs.

Investments in reliability-related projects have been very successful. In October 2015, We Energies was named the most reliable utility in the Midwest by PA Consulting Group for the fifth year in a row. We Energies received the ReliabilityOne Award, which recognizes excellence in delivering reliable electric service.

Other key improvement projects underway include:

Environmental upgrade at Weston 3 power plant – A project to install emission control technology called ReACT (Regenerative Activated Coke Technology) at Weston 3, a WPS generating unit, began in late 2013 and will help meet the requirements of a consent decree agreed to between WPS and the U.S. Environmental Protection Agency. The new system will reduce sulfur dioxide (SO_2), nitrogen oxides (NO_x), mercury and other emissions. In combination with Weston 3's existing fabric filter bag house, low NO_x burners, over-fire air system and mercury control system, significant emission reductions are expected to be achieved. The upgrade also will assist with WPS's compliance with future air pollution regulations, as well as help maintain a balanced generation portfolio.

Coldwater-to-Bronson main replacement project - This is a Michigan Gas Utilities project with an estimated investment of $9.1 million.

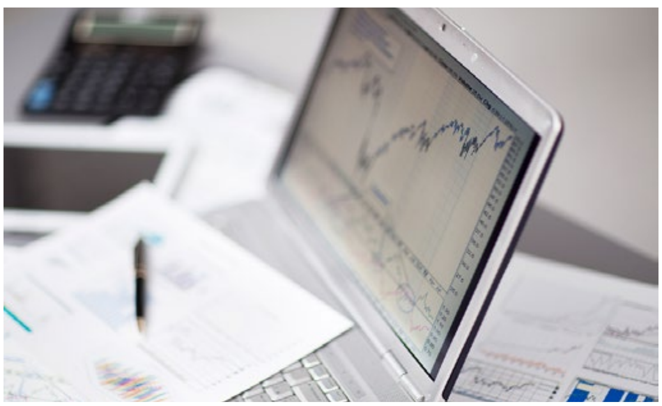
Rochester Natural Gas Pipeline - This expansion project of Minnesota Energy Resources proposes approximately 13.1 miles of new natural gas pipeline west and south of Rochester in Olmsted County, Minnesota. The application was filed in August 2015.

Twin Falls – We Energies is building a modern hydroelectric powerhouse with an expected investment of $60 million to $65 million. Work began in October 2014 and is scheduled for completion in summer 2016. The project will increase generation capacity from 6 to 9 megawatts (MW).

Fuel flexibility initiative at two Oak Creek units – We Energies received approval from the Public Service Commission of Wisconsin (PSCW) to make changes at the Oak Creek Expansion Plant to enable the units to burn coal from the Powder River Basin (PRB) in the western United States. The coal-fueled plant originally was designed to use coal mined from the eastern U.S., but the price of that coal increased relative to the PRB coal in recent years. This project is expected to create flexibility and enable 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 customers. The project includes a $21 million projected investment for plant modifications, and $58 million projected investment for storage and fuel handling.

Conversion from coal to natural gas fuel at Valley - Valley Power Plant is a co-generation plant in Milwaukee that was constructed in 1968. The plant originally used coal to produce electricity and steam; however, the conversion of the plant's fuel source to natural gas was completed in November 2015. Changing the fuel source has reduced operating costs and enhanced environmental performance without decreasing the plant's capacity.

Financial discipline



A strong adherence to financial discipline is essential to meeting our earnings projections and maintaining a strong balance sheet, stable cash flows, attractive dividends 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, plant, equipment and entire business units that no longer are strategic to operations, are not performing as intended, or have an unacceptable risk profile.

Our primary investment opportunities are in three areas: our regulated utility business; our investment in ATC; and our generation plants within our We Power segment.

Exceptional customer care

Our companies are driven by an intense focus on delivering exceptional customer care every day. Employees strive to provide the best value for customers by embracing constructive change, leveraging their capabilities and expertise, and using creative solutions to meet or exceed customers' expectations.

Meeting new and emerging environmental regulations

Clean Power Plan and new environmental standards and upgrades

The Clean Power Plan (CPP) final rule was issued in 2015 by the EPA. The ultimate goal of this new regulation is to dramatically reduce carbon dioxide (CO_2) emissions from electric utilities across the U.S. by the year 2030. A specific target has been set for each state. In Wisconsin and Michigan, the plan calls for a 41 percent and 39 percent, respectively, reduction in CO_2 emissions from fossil-fueled power plants with an interim target set for 2022.

The U.S. Supreme Court has stayed the regulation. However, upon resolution of legal challenges, additional investments in transmission, renewable energy and natural gas-fueled power plant may well be needed to meet the requirements of the CPP.

The EPA is moving ahead with new environmental standards and regulations. Owners of fossil-fueled power plants face a growing number of environmental regulations over the remainder of this decade. Some of these regulations are new, and others are updates to existing requirements.

These environmental regulations mostly relate to air quality, including greenhouse gases, but they also cover water quality and land quality. The regulations and associated legal challenges create a great deal of continuing and increasing uncertainty for utility planning and complicate decision-making about future operation of existing power plants. Additional capital, operation and maintenance investments in fossil-fueled power plants is expected to be required. Nationally, these changes are leading to the retirement of coal and natural gas power plants and raise concerns about reliability that will need to be considered.

We Energies and WPS have both pursued a multi-emission strategy for more than a decade in response to the numerous environmental regulations facing the electric utility industry. As a result of implementing this strategy, our electric energy companies are working to keep their generation systems positioned to comply with environmental regulations.

Controlling costs for customers

The multi-emission reduction strategy has achieved greater environmental benefit for lower cost. In addition, the strategy increased planning certainty for a fixed timeframe while other electric utilities waited and now face limited resources and compressed timeframes to complete the major projects that our companies already have in place.

Voluntary agreements established known environmental targets and improved the planning process for maintaining/replacing existing generating units and adding new units. The environmental targets have been consistent with reduction requirements expected over the past decade. This approach allowed our companies to proactively invest resources in air quality improvements.

Environmental improvements

Our companies have a long-standing commitment to environmental performance. Since the late 1980s, the generation fleet has shown a steady reduction of SO_2, NO_x, mercury and particulate emissions. As emission-control technology has advanced, We Energies and WPS have been installing new equipment to meet new state and federal air quality requirements while maintaining system reliability and cost effectiveness.

Existing generating units are critical to supplying energy at a reasonable price. By installing additional environmental controls to existing generating facilities, the region's energy needs are met while improving air quality by the most cost-effective means.

Public benefits and renewable portfolio standard

Wisconsin Act 141 (Act 141) established a goal in 2005 that 10 percent of electricity consumed in Wisconsin be generated by renewable resources by Dec. 31, 2015. Under Act 141, our companies must meet certain minimum requirements for renewable energy generation.

For 2015, We Energies is in compliance with its Wisconsin renewable energy percentage of 8.27 percent. WPS is in compliance with its Wisconsin renewable energy percentage of 9.74 percent. In addition, under this Act, 1.2 percent of utilities' annual operating revenues were required to be used to fund energy conservation programs in 2015. Customers who participated in energy efficiency programs were able to save a total of 373.5 million kilowatt hours and 45 million therms in their first, full year.

Public Act 295, enacted in Michigan, requires 10 percent of the state's energy to come from renewables by 2015, and energy optimization (efficiency) targets up to 1 percent annually by 2015. Public Act 295 specifically calls for current recovery of costs incurred to meet the standards and provides for ongoing review and revision to ensure the measures taken are cost-effective.

The projects described below help position We Energies and WPS to meet the renewable energy standards in 2016 and beyond.

Wind

- Glacier Hills Wind Park - 90 turbines with an installed capacity of 162 megawatts (MW) in the towns of Randolph and Scott in Columbia County, Wisconsin
- Blue Sky Green Field Wind Energy Center - 88 turbines with a capacity of 145 MW in the towns of Marshfield and Calumet in northeast Fond du Lac County, Wisconsin.
- Crane Creek Wind Farm - 66 turbines with a capacity of 99 MW near Riceville in Howard County, Iowa
- Montfort Wind Energy Center - 20 turbines with an installed capacity of 30 MW in Montfort, Wisconsin
- Lincoln Wind Energy Facility - 14 turbines with an installed capacity of 9 MW in the town of Lincoln in Kewaunee County, Wisconsin
- Byron Wind Turbines - 2 wind turbines, each generating 660 kilowatts, in Byron, Wisconsin

Biomass

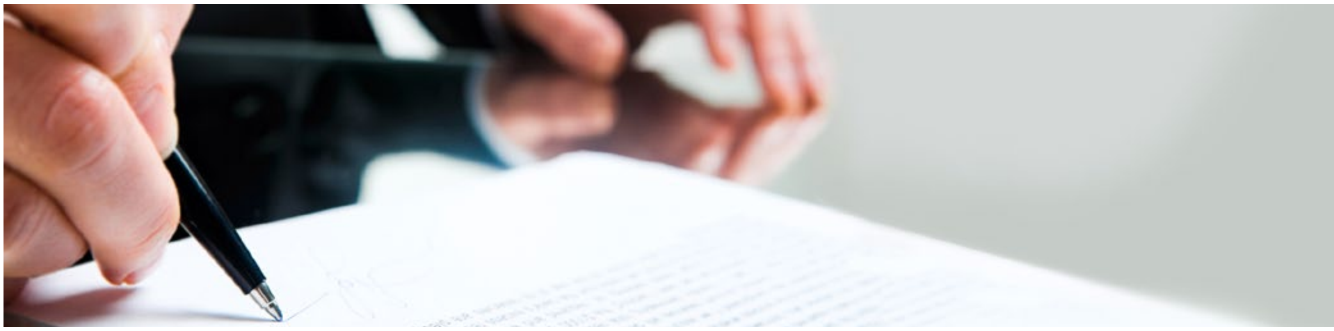
- Rothschild Biomass Cogeneration Plant – 50 MW power plant fueled with wood waste from northern Wisconsin forests, in Rothschild, Wisconsin

Managing and using combustion products

Our electric energy companies are committed to the continued beneficial use of combustion products. Plans include increased use of the combustion products produced at power plants to minimize landfilling. Approximately 88 percent of We Energies and WPS combustion products (fly ash, spray dryer ash, bottom ash, gypsum and wood ash) were beneficially utilized in 2015. Combustion products are beneficially utilized when they are used to replace natural or manufactured construction materials as alternative materials to sand, gravel and crushed-stone aggregates, and in agricultural soil applications. This utilization also helps to offset the environmental impacts associated with conventional materials production processes.

Beneficial use of combustion products for We Energies and WPS has grown from 5 percent in the early 1980s to nearly 90 percent in 2015 – exceeding 100 percent in some years.

Our governance structure



We are committed to conducting business with a high level of integrity, a business value that is the foundation of all of our decisions and actions. We are acutely aware of our responsibility to have the appropriate governance structure and management systems in place for anticipating, planning and managing corporate initiatives. Our governance structure includes accountability to key stakeholders as well as policies and management systems that contribute to efficient and effective operations. We believe that effective corporate governance is an essential driver of stockholder value and a key component of sustainability at successful companies.

Code of Business Conduct

Board members and employees are expected to follow a set of principles that provide guidance on how we go about our business. The 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).

Board of directors

Our board of directors is the governing body responsible for overseeing the corporation's identification of risks and business opportunities and management of economic, environmental and social performance. The board meets regularly throughout the year and routinely hears reports from designated committees that assist with these oversight responsibilities.

The board's Corporate Governance Committee annually evaluates the expertise and needs of the board to determine its proper membership and size. In the first half of 2015, we had nine members on our board. Pursuant to the terms of the company's merger agreement with Integrys Energy Group, three legacy-Integrys board members joined the nine Wisconsin Energy Corp. board members in forming a 12-member board of directors for WEC Energy Group, which took effect on June 29, 2015, the day the acquisition was completed.

The board retains the right to exercise its discretion in combining or separating the offices of chairman of the board and chief executive officer (CEO). In connection with the company's leadership succession plan, effective May 2016, the office of CEO was separated from the office of chairman of the board. Gale Klappa, who served as the company's CEO and chairman since 2004, became the non-executive chairman of the board, and Allen Leverett, who had been the company's president since August 2013, also became CEO, in addition to his election as a board director, in January 2016.

The chair of the Corporate Governance Committee serves as the presiding director. In that role, the director presides at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors without any management present; 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 meeting agendas for the board and its committees; reviews meeting schedules to ensure there is sufficient time for discussion of all agenda items; reviews all proposed changes to committee charters; leads the annual board evaluation; and performs any other duties as may be prescribed by the board.

Corporate Governance Guidelines

Since 1996, our board of directors has maintained Corporate Governance Guidelines that provide a framework under which it conducts business. The board's Corporate Governance Committee reviews the guidelines annually to ensure that the board is providing effective governance over the affairs of the company.

Director selection

The board's Corporate Governance Committee screens and evaluates director candidates, including those recommended by stockholders, based on set criteria as described in the Corporate Governance Guidelines.

Board independence

Our Corporate Governance Guidelines provide that the board of directors should consist of at least a two-thirds majority of independent directors. No director qualifies as independent unless the board affirmatively determines that the director has no material relationships with the corporation. The board annually conducts a formal review of whether its directors meet the independence guidelines. The results are published each year in our annual meeting proxy statement. Based upon our independence standards, the board affirmatively determined that, in 2015, 11 of its 12 directors were independent.

WEC Energy Group board of directors

John F. Bergstrom, director since 1987, chairman and chief executive officer, Bergstrom Corp.

Barbara L. Bowles, director since 1998, retired vice chair, Profit Investment Management; retired chairman, The Kenwood Group Inc.

William J. Brodsky, director since 2015, chairman, CBOE Holdings Inc., and the Chicago Board Options Exchange

Albert J. Budney Jr., director since 2015, retired president, Niagara Mohawk Holdings Inc.

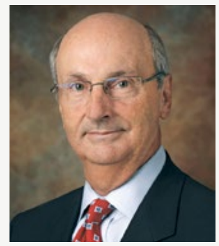
Patricia W. Chadwick, director since 2006, president, Ravengate Partners LLC

Curt S. Culver, director since 2004, non-executive chairman, MGIC Investment Corp. and Mortgage Guaranty Insurance Corp.

Thomas J. Fischer, director since 2005, principal, Fischer Financial Consulting LLC

Paul W. Jones, director since 2015, retired executive chairman and chief executive officer, A.O. Smith Corp.

Gale E. Klappa,* director since 2003, chairman and chief executive officer, WEC Energy Group



Henry W. Knueppel, director since 2013, retired chairman and chief executive officer, Regal Beloit Corp.

Ulice Payne Jr., director since 2003, managing member, Addison-Clifton LLC

Mary Ellen Stanek, director since 2012, managing director and director of Asset Management, Baird Financial Group Inc.; chief investment officer, Baird Advisors; president, Baird Funds Inc.

* Gale E. Klappa retired as chief executive officer on May, 1, 2016, and became non-executive chairman. Allen Leverett was appointed to the board of directors in January 2016 and succeeded Klappa as chief executive officer on May 1, 2016.

Committees

Committees play a significant role in the corporate governance practices of our board. Committees are empowered to act on behalf of the board in those areas prescribed by the board. The board presently has the following five standing committees:

- Audit and Oversight
- Executive
- Compensation
- Corporate Governance
- Finance

Except for the Executive Committee, all committees are composed of independent directors. The Executive Committee includes the non-executive chairman and CEO of the company, who are not independent. All committees, except the Executive Committee, operate under a charter approved by the board.

Board and committee evaluations

The board's Corporate Governance Committee conducts an annual assessment of the board's effectiveness and uses the results of the board's self-evaluation 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, annually reviews its own activities against its charter requirements following a process similar to the annual board evaluation. Results are reported to the board.

CEO evaluation

The board's Compensation Committee annually evaluates CEO performance and reports the results to the board. All nonemployee directors participate in this process. The Compensation Committee chair shares the results of the evaluation with the CEO, and the Compensation Committee uses those results to determine appropriate CEO compensation.

Compensation philosophy and objectives

A principal responsibility of the board's Compensation Committee is to provide a competitive, performance-based executive and director compensation program. This includes: (1) determining and periodically reviewing the committee's compensation philosophy; (2) determining and reviewing compensation paid to executive officers (including base salaries, incentive compensation and benefits); (3) overseeing compensation and benefits paid to other officers and key employees; (4) establishing and administering the CEO compensation package; and (5) reviewing results of the most recent stockholder advisory vote on compensation of the named executive officers. The committee also is charged with administering the compensation package of its nonemployee directors. The Compensation Committee meets with the Corporate Governance Committee annually to review the compensation package of the nonemployee directors. All members of the Compensation Committee are independent. No member of the Compensation Committee is a current or former employee of the company.

Legal/litigation, regulatory, environmental, and ethics and compliance oversight

The Audit and Oversight Committee reviews legal matters to ensure that significant actual and potential litigation and insurance claims are receiving appropriate management attention. The committee also reviews environmental compliance matters to ensure that such matters are receiving appropriate management attention. Committee members have direct access to and meet as needed with the officer in charge of each function without other management present, as appropriate. Management is required to report all significant legal and environmental matters to the committee. The committee regularly reviews ethics and compliance matters, and receives an annual report related to the effectiveness of the overall ethics and compliance program.

Risk assessment and risk management oversight

The board oversees our 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 receive briefings from management on specific areas of risk, as well as emerging risks to the enterprise.

The Audit and Oversight Committee regularly hears reports from management on our major risk exposures in such areas as regulatory compliance, environmental, legal/litigation, cybersecurity, and ethical conduct, and steps taken to monitor and control such exposures. The Finance Committee discusses our risk-assessment and risk-management policies, and provides oversight of insurance matters to ensure that the company's risk-management program is functioning properly. Both committees have direct access to, and meet as needed with, company representatives without other management present to discuss matters related to risk management.

Our CEO, who ultimately is 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. In addition, we have established a Risk Steering Committee, composed of senior level management employees, whose purpose is to foster an enterprisewide approach to managing risk and compliance. The results of these risk-management efforts are reported to the CEO and to the board or its appropriate committee.

Annual certifications

We have filed the required certifications of our CEO and chief financial officer under the Sarbanes-Oxley Act regarding the quality of our public disclosures. These exhibits can be found in our Form 10-K for the year ended Dec. 31, 2015. In 2015, we filed the certification of our CEO regarding compliance with the New York Stock Exchange (NYSE) corporate governance listing standards with the NYSE on June 5, 2015.

Stockholders' input

The company provides stockholders with the opportunity to submit nominations for director candidates and stockholder proposals. See the company's 2016 annual meeting proxy statement for information how to submit nominees and proposals.

The 2017 annual meeting of stockholders is tentatively scheduled for May 4, 2017.

» Visit **wecenergygroup.com** for access to corporate governance practices and guidelines and investor information, including stock and dividend history, financial statements and other Securities and Exchange Commission reports.

Investor information

NYSE ticker symbol: WEC
Number of registered stockholders as of Dec. 31, 2015: 54,206
Number of shares outstanding as of Dec. 31, 2015: 315,683,496

Stockholder engagement

Our annual report includes an overview of company results and operations. Our annual meeting, available via webcast, allows questions and comments. Proxy mailings provide an opportunity to vote on board candidates and other proposals via internet, phone or written proxy card. A stockholder hotline, dedicated email address and website allow questions and comments. A secure website allows account inquiries and transaction functions.

Meetings are conducted with institutional investors and presentations are made to analysts. Quarterly conference calls with analysts and portfolio managers hosted by the CEO and president, chief financial officer and other key corporate officers can be monitored by the news media and general public via phone or online. Presentation materials also are available online at www.wecenergygroup.com/invest/present-webcasts.htm

Stock purchase plan

Our Stock Plus Investment Plan provides a convenient way to purchase WEC common stock and reinvest dividends. For prospectus and enrollment, potential stockholders may go to wecenergygroup.com and select the 'Investors' tab. Computershare Investor Services also may be contacted 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. Stockholders may contact Computershare Investor Services to request an authorization form.

Individual investors

For inquiries about stockholder accounts (transfers, dividend payments, lost certificates, name or address changes, etc.) or our dividend reinvestment and stock purchase plan, contact our transfer agent, Computershare Investor Services:

Phone
800-558-9663 from 7 a.m. to 7 p.m. Central time on any business day to speak to a stockholder services representative. Prerecorded information is available 24 hours a day, seven days a week.

U.S. mail
WEC Energy Group, Inc.
c/o Computershare
P.O. Box 30170
College Station, TX 77842-3170

Online account access: www.computershare.com/investor

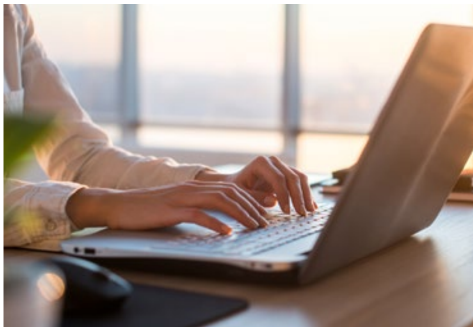
For other individual investor inquiries, contact:
Stockholder Services
WEC Energy Group, Inc.
231 W. Michigan St., P346
Milwaukee, WI 53203
800-881-5882

Financial community inquiries

Securities analysts and institutional investors may contact the Investor Relations Line at 414-221-2592. Stockholders who hold WEC stock in brokerage accounts should contact their brokerage firm.

Investor Relations
WEC Energy Group, Inc.
231 W. Michigan St.
Milwaukee, WI 53203

Ethics and compliance



The Code of Business Conduct addresses situations that could lead to corruption, bribery and other improper or illegal behavior on the part of employees. The code is intended to protect the good name and reputation of the company by preventing even the appearance of improper conduct.

Policy expectations

Employees have a responsibility to preserve the ethical standards of our companies as they conduct business affairs, even when no laws or regulations are involved. In many cases, the policies referred to in the code go beyond legal requirements.

All new employees receive the Code of Business Conduct training to be completed within 30 days of hire. We have 100 percent completion of the Code of Business Conduct training. To increase the level of awareness and reaffirm our commitment to the highest standards of legal and ethical conduct, all employees are required to annually confirm their personal commitment to compliance. We have 100 percent completion of this affirmation. Employees also receive periodic messages about the Code of Business Conduct and related policies.

Our policy is to adhere to a high form of ethical business conduct. The ethics and compliance program is designed to help establish and maintain our culture of compliance, help our employees sustain an ethical workplace and help the company comply with applicable legal requirements and good corporate governance. Components of the ethics and compliance program include:

- Annual review of program effectiveness in accordance with Federal Sentencing Guidelines that is reported to the Audit and Oversight Committee of our board of directors
- Code of Business Conduct policy that has been in place since 1980
- Code of Business Conduct policy training that all employees certify annually
- EthicsLine (whistleblower hotline) established in 2003
- Nonretaliation policy established in 2004
- Compliance officer communication to executives, officers and department heads stressing that training in those standards is a critical aspect of our overall ethics and compliance program
- Leadership reinforcement that sets tone and expectations about ethics and compliance training importance with their employees
- Risk assessment to analyze compliance risks and develop a plan to drive a culture of compliance throughout the company

Audit Services

Audit Services conducts a semi-annual enterprise risk assessment (March and September), the results of which are reviewed with the Risk Steering Committee. The Risk Steering Committee's purpose is to provide an enterprisewide approach to overseeing compliance obligations and risk management for the company, and to enhance the quarterly reporting that the compliance officer provides to the CEO and the Audit and Oversight Committee of the board of directors.

Audit Services also completes a periodic fraud risk assessment designed to assess risks of fraud from financial reporting, misappropriation of assets or corruption. Legal and regulatory compliance requirements, the potential monetary impact, and overall significance to our financial reporting, operations and reputation are considered when assessing risk. In its most recent assessment, Audit Services determined a low residual risk value after considering the existing key anti-fraud controls and activities. Results of the risk assessment are reported to the Audit and Oversight Committee of the board of directors.

Training and education

Driving a culture of compliance and ethics throughout the company continues to be a primary emphasis for WEC Energy Group. Continual employee development and awareness of potential ethical dilemmas remain a priority. Employees complete learning events throughout the year, specific to their roles and responsibilities, such as workplace harassment prevention for all leaders and corporate securities trading for identified personnel. Providing leaders the appropriate resources to continue effectively addressing and preventing ethical misconduct and non-compliance also remains a priority. In 2015, materials for leaders to use to guide discussions with their staff about ethics and compliance matters were developed. These materials are always available on the company's intranet site. Additionally, and as determined appropriate, materials on specific topics, such as conflicts of interest, are communicated to leaders through various channels.

Internal safety practices

Our safety strategy includes use of safety leading-indicator goals and best practice programs that are proven to reduce injury. All employees are expected to work safely and foster a safe workplace.

Safety record

WEC Energy Group companies are committed to keeping employees safe. For more than 10 years, our companies have improved their safety records by reducing the number of Occupational Safety and Health Administration (OSHA)-recordable cases and the number of lost-time incidents by more than 60 percent. Some of our subsidiaries, such as We Energies, have incident rates that are among the best of all publicly held energy companies in the upper Midwest. Since we understand the negative effects that injuries have on employees, their families and friends, and their co-workers, the goal is to have one of the best safety records in the nation.

Employee safety success can be attributed to increasing employee engagement and accountability at all levels, as well as to improvements in our injury case management. Management uses weekly safety conference calls to focus on safety for occupations that are exposed to a large number of hazards. During calls, management discusses every injury, accident and significant event that has taken place and ways to prevent recurrences. More employees are becoming actively engaged in safety, leading to new ideas and improvements in system designs, programs, tools and procedures.

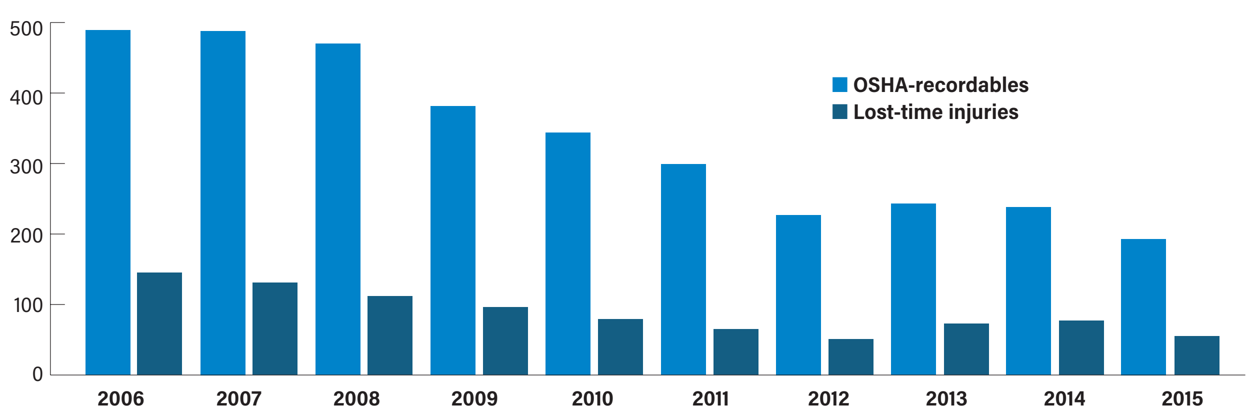
To maintain a positive safety culture, management employees are expected to provide daily information and communication about safety topics. Additionally, they are responsible for implementing and evaluating safety programs and outcomes. Employees who work in the field use a variety of tools to identify and manage risks on the jobsite, follow rules and procedures, and to speak up and report on safety issues.

Injury trend

Year*	OSHA-recordables	Lost-time injuries
2006	489	145
2007	488	131
2008	470	112
2009	381	96
2010	344	79
2011	299	65
2012	227	51
2013	243	73
2014	238	77
2015	193	55
2016 goal	**171**	**48**

*Years before 2015 (when the acquisition was completed) include combined totals from We Energies and Integrys Energy Group

Injury trend



2015 – Best year for employee safety
The year 2015 was the safest on record for several of our companies. The companies have monitored OSHA-recordable and lost-time injuries for decades and began monitoring safety leading indicators in 2009. Our safety record indicates employee commitment to working safely. While progress is good, we continue to work to do even better.

Company safety structure

Working safely is an expectation at every level. Our Executive Safety Committee provides leadership and direction for safety and health. The committee provides a forum to review and discuss accidents and injuries, implement injury-prevention activities, develop new programs and enhance ongoing safety and health initiatives. The committee ensures consistency across workgroups.

Through Safety Action Teams and Regional Safety Teams, every employee has a voice in safety. Management and represented employees work together to identify risks and prevent injuries. Management's support in monitoring action items and providing organizational leverage to resolve issues helps meet teams' objectives.

Workgroup-specific safety events are held throughout our companies. For example, many employees in highly hazardous occupations participate in a safety conference or periodic meetings with management to discuss safety goals, tools and equipment, and ways to prevent and reduce risk of injury to keep each other safe.

Safety goals

In addition to measuring OSHA-recordable and lost-time injuries, our utilities set goals around measurable safety leading indicators, leading to injury-prevention activities that raise awareness and spark conversations about employee safety.

Safety leading-indicator goals include:

- Near miss / unsafe condition program metrics – Our companies are focused on increased reporting of near miss / unsafe conditions. Action items are responded to with results communicated to employees.
- Observation programs – Our companies incorporate observation programs to identify and address at-risk behaviors, while also reinforcing the positive behaviors. Most utilities have some form of peer-to-peer observation program that helps enhance our culture of looking out for one-another and being more-and-more comfortable approaching one-another with feedback on safety.
- Employee health – Since health (good or bad) impacts safety, we encourage employees to complete a biometric health screening.

Each department monitors shared leading-indicator goals. Some workgroups track additional leading indicators, such as proactive audits, drills and inspections, to address specific concerns and areas of opportunity. A safety performance scorecard allows employees to monitor progress toward safety goals.

Employee safety expectations

Every employee is responsible for attending regular safety meetings and is held accountable to report any injury or accident. Employees at all levels are encouraged to work with a safety focus. The following expectations have been set for safety performance:

Individual employees

- Develop an understanding of safety requirements and collaborate with supervisors and managers to identify and address the causal factors of potential and actual workplace safety issues
- Understand and comply with safety rules and practices, and encourage others to do so
- Talk with others about safety and report safety concerns
- Ensure personal training and qualifications are up to date

Supervisors and managers

- Demonstrate awareness and direct corrections, and remain vigilant and committed to safety
- Hold safety as a value and effectively provide reinforcement of safety messages
- Encourage continued improvement to reduce risk and prevent injuries
- Recognize and reinforce positive behaviors promptly; confront negative behaviors promptly
- Use proactive safety measures

Executives

- Set aggressive near- and long-term safety goals, vision and expectations
- Provide resources to meet safety goals and ensure that actions mirror words. Communicate regularly and consistently about safety issues
- Monitor safety plans and track desired results, show awareness of adverse trends and emphasize successes
- Demand that all leaders and employees consider safety in all operational decisions

Safety commitment

Our companies' leadership and union leadership urge each employee to make a personal safety commitment. The purpose is to encourage employees to talk with each other about safety on a regular basis and to foster a culture in which everyone feels comfortable giving and receiving constructive feedback about safety. We promote corporate safety commitments that complement the program by hearing employee concerns, training to current standards and recognizing those who demonstrate concern for safety. We further encourage all of our employees to bring that personal commitment to their families at home, their friends and to the communities in which they live.

Near miss / unsafe condition reporting

Best practice reviews find that a well-run near miss / unsafe condition reporting program reduces incident rates. At any given time, there are at-risk behaviors and near-miss events that can be identified and used to prevent injury. Reporting these incidents is an essential first step. All employees are encouraged to report unsafe conditions or incidents that could have led to injury. A variety of stakeholders may analyze the reports and assign and/or escalate issues for resolution. The near miss / unsafe condition reporting program encourages all employees to own accident prevention and allows situations to be publicized to a wide audience, providing an educational benefit to all.

Safety Charity Challenge

To further foster a positive safety culture, We Energies held the Safety Charity Challenge, a quarterly challenge in which employees whose business unit meets its safety improvement goals may vote on where our foundation can make a donation to identified nonprofit organizations in our service areas. The purpose of the program is to rally employees around workplace safety and create a positive impact in the communities in which they live and work. In 2016, the program was rolled out to all WEC Energy Group companies.

Contractor safety

WEC Energy Group companies increasingly provide contractors with safety program expectations to help ensure that all work performed on company property and at company facilities is completed safely and without unnecessary risks and hazards. Contractors are selected, in part, by candidates' OSHA incident rates and experience modification rates. Prospective contractors may be required to provide a detailed explanation of their employee health and safety obligations, programs and safety record. In many instances, each prospective contractor's safety performance is reviewed prior to awarding contracts.

Ergonomic enhancements

In the past, electric shock was viewed as the greatest on-the-job safety risk; however, through technological enhancements, the risk of shock has been greatly reduced. Presently, the most common injuries are strains and sprains. An ergonomics program is designed to prevent such injuries. Companywide, safety teams analyze tools, equipment and job techniques based on ergonomics. Outputs include handbooks on implementing tools and videos to demonstrate proper tool use. Stretching and strengthening programs also are used for employees.

If an employee is injured with a sprain or strain, or in something more serious, the company has an advocacy program in which medical nurses work with the employee to get the best quality medical care possible. They will work continually with the employee until they are returned to their normal job functions or until they have reached end of healing.

Employee health and safety

We recognize that healthy employees often are more productive and have fewer on-the-job injuries. To this end, our companies provide various benefits and resources designed to promote healthy living, both at work and at home. The companies offer competitive benefit plans designed to help employees actively manage their health.

Employees are encouraged to receive preventive examinations and proactively care for their health. Condition management support and health coaching for lifestyle issues are available to employees who participate in the health plan. A free onsite health screening in many locations and/or incentives encourage employees to know their blood pressure, cholesterol, blood glucose and body mass index. Employees also are encouraged to complete a health risk assessment to further understand their health status and to work with their medical provider.

Our companies' work to provide employees a safe, drug-free environment. Employees are a part of a drug and alcohol testing program to maintain that environment. If an employee has an addiction, he or she is offered the opportunity to self-identify, and we will work with the employee to seek assistance. We encourage use of the Employee Assistance Program (EAP). EAP is a free benefit for all employees and their families, regardless of whether they are enrolled in our companies' medical plans. EAP is a confidential way to get professional problem assessment, referrals, short-term counseling and treatment monitoring. An external counseling agency administers our EAP program.

Our companies also offer wellness programs for employees and their families. By engaging employees in health education activities and promoting healthy lifestyle habits at work and home, the wellness programs work to promote a proactive approach to healthcare decisions. The wellness programs facilitate health screenings, host health challenges for individuals and teams and provide other resources to encourage employees to take care of their health.

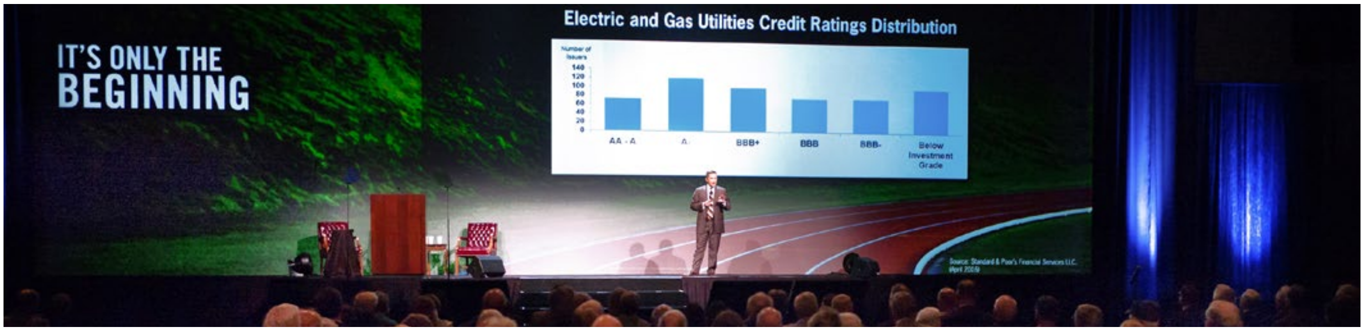
We continue to notice the association of health engagement with improved safety performance.

Economic Performance

WEC Energy Group Inc. (WEC), is a diversified holding company with natural gas and electric utility operations (serving customers in Wisconsin, Illinois, Michigan and Minnesota), an approximately 60 percent equity ownership interest in American Transmission Co. LLC (a federally regulated electric transmission company), and nonutility power generation operations through our We Power business.

We Energies' Oak Creek Power Plant

Financial highlights



Our financial achievements in 2015 included:

Completed the acquisition of Integrys Energy Group approximately 53 weeks from the date the transaction was announced (June 22, 2014).

Returned more than **$455 million** to WEC Energy Group stockholders during 2015 through dividends.

Legacy Wisconsin Energy Corporation achieved fully diluted adjusted **earnings per share of $2.73**. [1]

Common stock reached a then all-time high of **$58.01 per share** on Jan. 28, 2015.

1 Excludes the net $0.39 per share impact of the Integrys acquisition. See page 25 for a full GAAP reconciliation.

Summary of Integrys Energy Group acquisition

On June 29, 2015, Wisconsin Energy Corporation acquired 100 percent of the outstanding common shares of Integrys and changed its name to WEC Energy Group, Inc. Integrys was a provider of regulated natural gas and electricity, as well as nonregulated renewable energy products. Integrys also held a 34 percent interest in American Transmission Co. LLC, a for-profit transmission company regulated by the Federal Energy Regulatory Commission (FERC). The acquisition of Integrys provides increased scale, the potential for long-term cost savings through a combination of lower capital and operating costs, and the potential for operating efficiencies.

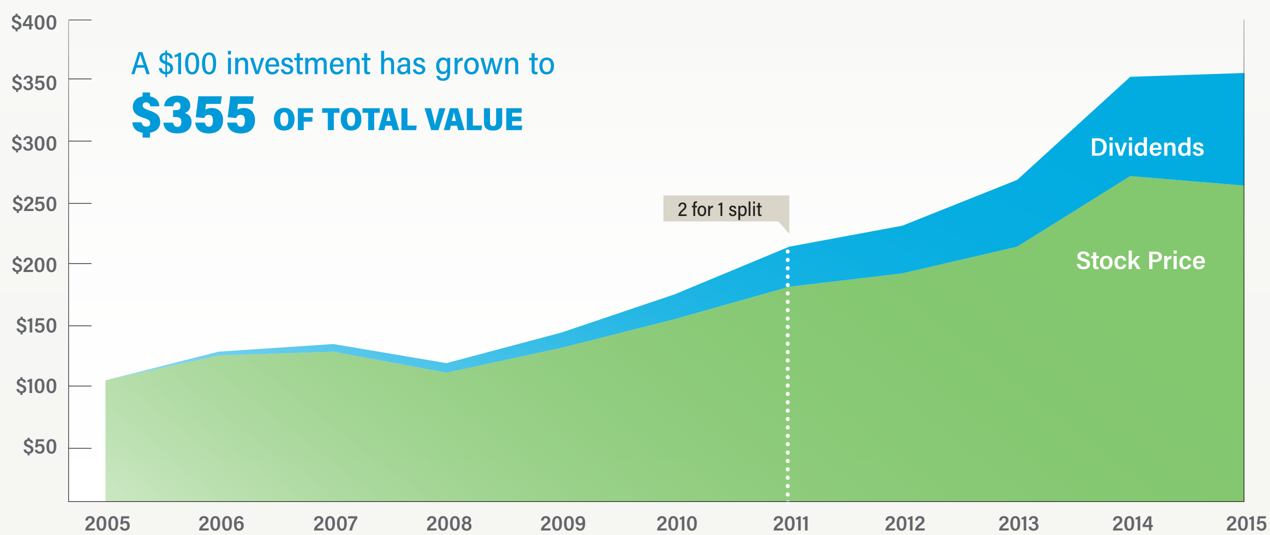
Pursuant to the merger agreement, Integrys's stockholders received 1.128 shares of Wisconsin Energy Corporation common stock and $18.58 in cash per share of Integrys common stock. The total consideration transferred was $5,583.1 million and was based on the closing price of Wisconsin Energy Corporation common stock on June 29, 2015.

The acquisition was subject to the approvals of various government agencies, including the FERC, Federal Communications Commission, Public Service Commission of Wisconsin, Illinois Commerce Commission, Michigan Public Service Commission, and Minnesota Public Utilities Commission. Approvals were obtained from all agencies subject to several conditions. We do not believe that the conditions set forth in the various regulatory orders approving the acquisition will have a material impact on our operations or financial results.

Total stockholder return

Over the past decade, WEC Energy Group has consistently delivered among the best total returns in the industry. The illustration below demonstrates our stock price appreciation plus the compounded effect of dividend growth over the past decade.

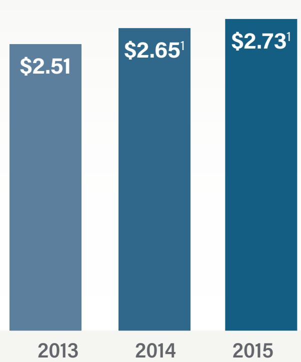
WEC total stockholder return



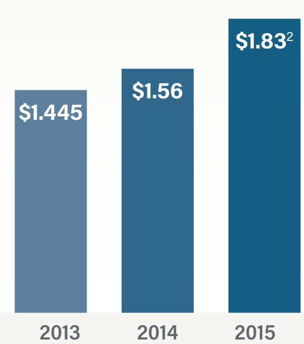
Dividend increase

In January 2015, we increased the quarterly dividend to $0.4225 per share, raising the annual dividend to $1.69 per share. Then, effective at the closing of the Integrys acquisition, we increased the quarterly dividend to $0.4575 per share, which is equivalent to an annual rate of $1.83 per share. And in January 2016, we again raised the quarterly dividend 8.2 percent to $0.4950 per share, which is equivalent to an annual rate of $1.98 per share. Going forward, we expect to pay out 65 to 70 percent of our earnings in dividends, and we project our dividends to grow in line with the growth in earnings per share.

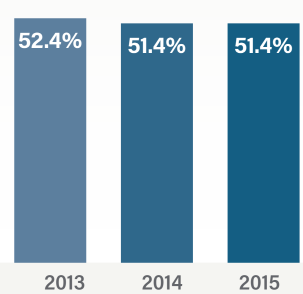
Earnings per share



Dividends per share



Year-end debt to total capital[3]

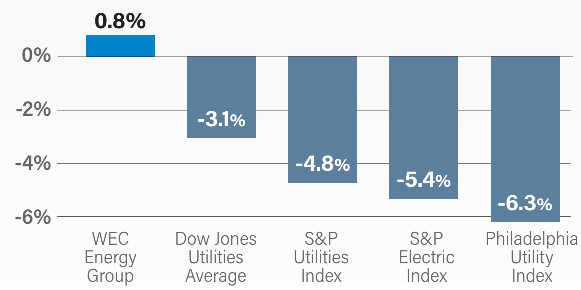


1. Adjusted earnings per share. Excludes acquisition-related costs totaling 6 cents per share in 2014 and 39 cents per share in 2015. 2015 earnings per share reflect Wisconsin Energy's stand-alone earnings which exclude Integrys earnings per share of 47 cents and the impact of additional shares outstanding of 47 cents per share. For a full reconciliation, see page 25.
2. Annualized based on fourth quarter 2015 dividend of $0.4575.
3. Included in long-term debt are various issuances of Junior Subordinated Notes. A majority of the rating agencies currently attribute at least 50 percent common equity to these securities. For further reconciliation, see Capitalization structure on page 31.

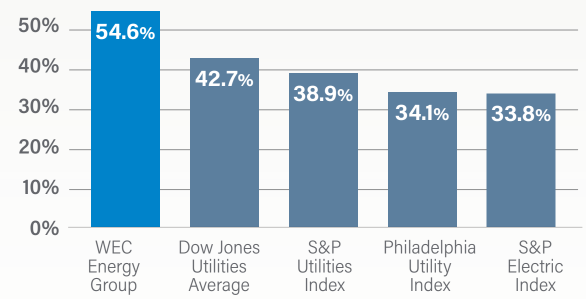
Long-term stockholder returns

In 2015, WEC Energy Group again delivered industry-leading total stockholder returns, and with respect to a one-, three-, five-, and 10-year look back, continued to deliver long-term results for stockholders.

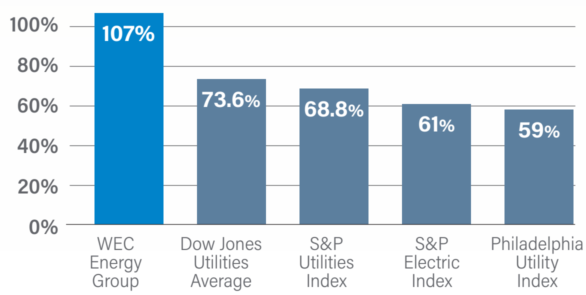
One-year total return



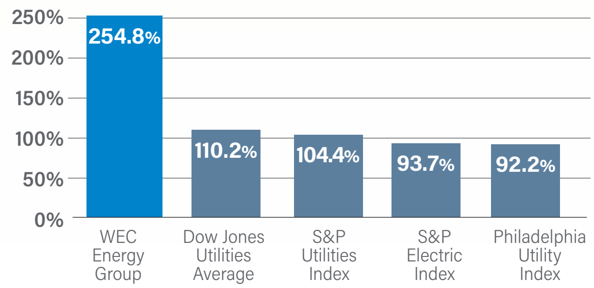
Three-year total return



Five-year total return



10-year total return



Earnings per share GAAP reconciliation	2015	2014
WEC Energy Group GAAP EPS	$2.34	$2.59
Acquisition costs (post-tax)	$0.39	$0.06
Integrys Energy Group earnings	$(0.47)	–
Impact of additional shares	$0.47	–
Wisconsin Energy Corporation adjusted EPS	$2.73	$2.65

Business of the company

Wisconsin Energy Corp., predecessor holding company of WEC Energy Group, was incorporated in the state of Wisconsin in June 1981 and became a diversified holding company in 1987. On June 29, 2015, Wisconsin Energy acquired all outstanding common shares of Integrys Energy Group Inc. and changed our name to WEC Energy Group Inc. The principal headquarters is in Milwaukee, Wisconsin.

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 approximately 60 percent equity interest in American Transmission Co. (ATC), an electric transmission company operating in four states. As of Dec. 31, 2015, we conducted our operations in the six reportable segments discussed below.

Wisconsin segment: The Wisconsin segment primarily consists of the electric and natural gas utility and nonutility operations of We Energies and Wisconsin Public Service Corporation (WPS), including operations in the Upper Peninsula of Michigan. As of Dec. 31, 2015, these companies served approximately 1,589,300 electric customers and 1,425,700 natural gas customers. This segment also includes steam service to approximately 430 We Energies steam customers in metropolitan Milwaukee.

Illinois segment: The Illinois segment consists of the natural gas utility and nonutility operations of Peoples Gas and North Shore Gas. The approximately 992,200 natural gas customers served by The Peoples Gas Light and Coke Company and North Shore Gas Company as of Dec. 31, 2015 were located in Chicago and the northern suburbs of Chicago. Peoples Gas also owns and operates a 38.3 billion cubic feet (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 Minnesota Energy Resources Corporation and Michigan Gas Utilities. These companies served approximately 402,600 natural gas customers at Dec. 31, 2015. Minnesota Energy Resources Corporation serves customers in various cities and communities throughout Minnesota, and Michigan Gas Utilities Corporation serves customers in the southern portion of lower Michigan.

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

We Power segment: We Power, through wholly owned subsidiaries, owns and leases generating facilities to We Energies, constructed as part of our Power the Future strategy. Port Washington Generating Station Unit 1 and Unit 2, both natural gas-fueled generating units, are being leased to We Energies under long-term leases that run for 25 years. Oak Creek Expansion Unit 1 and Oak Creek Expansion Unit 2, both coal-fueled generating units, are being leased to We Energies under long-term leases that run for 30 years.

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 Peoples Energy, LLC holding company, as well as the operations of Wispark, Bostco, Wisvest, Wisconsin Energy Capital Corporation, WEC Business Services, LLC, WPS Power Development, LLC, and Integrys Transportation Fuels. Bostco and Wispark develop and invest in real estate, and combined they had $72.7 million in real estate holdings as of Dec. 31, 2015. WEC Business Services, LLC 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. WPS Power Development, LLC owns distributed renewable projects, primarily solar and a natural gas-fueled cogeneration facility in Wisconsin. Integrys Transportation Fuels, which provides compressed natural gas products and services in multiple states, was sold on Feb. 29, 2016.

Corporate strategy

Our goal is to create long-term value for our stockholders and our customers by focusing on the following:

Reliability

We have made significant reliability-related investments in recent years, and plan to continue making significant capital investments to strengthen and modernize the reliability of our generation and distribution network.

- The West Central Gas Expansion project went into service in early November 2015. This natural gas lateral will allow We Energies to improve the reliability of its natural gas distribution network in the western part of Wisconsin and better meet customer demand.
- Peoples Gas is continuing to work on its natural gas system modernization program, which primarily involves replacing old cast and ductile iron pipes and facilities in the city of Chicago's natural gas delivery system with modern polyethylene pipes to reinforce the long-term safety and reliability of the system.
- WPS continues work on its System Modernization Reliability Project, which involves modernizing parts of its electric distribution system by burying or upgrading lines. The project focuses on electric lines that currently have the lowest reliability in its system, primarily in rural areas that are heavily forested.

Operating efficiency

We continually look for ways to optimize the operating efficiency of our company. We have provided some examples from our generating fleet.

- Valley Power Plant is a cogeneration plant in Milwaukee that was constructed in 1968. The plant originally utilized coal to produce electricity and steam; however, the plant's fuel source was converted to natural gas with construction completed in November 2015. Changing the fuel source has reduced operating costs and enhanced environmental performance without decreasing the plant's capacity.
- We Energies received approval from the Public Service Commission of Wisconsin to make changes at the Oak Creek Expansion units to enable them to burn coal from the Powder River Basin in the Western United States. The coal plant was originally designed to burn coal mined from the Eastern United States, but the price of that coal increased relative to the Powder River Basin coal in recent years. This project is expected to create flexibility and enable the plant to operate at lower costs, placing it in a better position to be called upon in the Midcontinent Independent System Operator (MISO) energy markets, resulting in lower fuel costs for our customers.

Financial discipline

A strong adherence to financial discipline is essential to meeting our earnings projections and maintaining a strong balance sheet, stable cash flows, attractive dividends, 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, plant, equipment and entire business units that are no longer strategic to operations, are not performing as intended, or have an unacceptable risk profile. Our primary investment opportunities are in three areas: our regulated utility business; our investment in ATC; and our generation plants within our We Power segment.

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, leveraging our capabilities and expertise, and using creative solutions to meet or exceed our customers' expectations.

West Central Gas Expansion

System Modernization Program in city of Chicago

Electric utility operations in Wisconsin

Electric supply

Our electric supply strategy is to provide our customers with energy using a diverse fuel mix that is expected to maintain a stable, reliable and affordable supply of electricity. We supply a significant amount of electricity to our customers from power plants that we own. We supplement our internally generated power supply with long-term power purchase agreements and through spot purchases in the MISO energy markets.

Electric customers

In 2015, our electric utility operations included operations of We Energies for all of 2015 and operations of WPS beginning July 1, 2015, due to the acquisition of Integrys and its subsidiaries. We Energies, which is the largest electric utility in the state of Wisconsin, generates and distributes electric energy in southeastern Wisconsin (including the metropolitan Milwaukee area), east central Wisconsin, northern Wisconsin and Michigan's Upper Peninsula. WPS generates and distributes electric energy in northeastern Wisconsin and Michigan's Upper Peninsula.

Electric customer statistics (thousands)

(Years ended Dec. 31)

Customers	2015[1]	2014	2013
Residential	1,414.1	1,015.0	1,010.5
Small commercial/industrial	171.1	115.4	114.6
Large commercial/industrial	1.0	0.7	0.7
Other	3.1	2.5	2.6
Total customers	**1,589.3**	**1,133.6**	**1,128.4**
Customers – average	**1,584.4**	**1,130.7**	**1,126.9**

1 Includes the operations of WPS beginning July 1, 2015, as a result of the acquisition of Integrys.

Rated capacity by fuel type (megawatts)[1]

(Years ended Dec. 31)

	2015[5]	2014	2013
Coal	4,955	3,707	3,822
Natural gas – combined cycle	1,636	1,082	1,082
Natural gas/oil – peaking units [2]	1,412	962	962
Natural gas – steam turbine [3]	305	118	–
Renewables [4]	269	155	155
Total	**8,577**	**6,024**	**6,021**

1 Rated capacity is the net power output under average operating conditions with equipment in an average state of repair as of a given month in a given year. We are a summer peaking electric utility, and amounts are based on expected capacity ratings for the following summer. The values were established by tests and may change slightly from year to year.

2 The dual-fueled facilities generally burn oil only if natural gas is not available due to constraints on the natural gas pipeline and/or at the local natural gas distribution company that delivers natural gas to the plants.

3 The natural gas steam turbine represents the rated capacity associated with the Valley Power Plant units, which were converted from coal to natural gas in 2014 and 2015, as well as Weston Unit 2, which was converted from coal to natural gas in 2015.

4 Includes hydroelectric, biomass and wind generation.

5 Includes the operations of WPS beginning July 1, 2015, as a result of the acquisition of Integrys.

Sources of electric energy supply as a percentage of sales

(Years ended Dec. 31)

Sources	2015	2014	2013
Company-owned generation units			
Coal	51.5%	55.2%	53.6%
Natural gas – combined cycle	14.6%	8.7%	10.1%
Natural gas – steam turbine	1.2%	0.2%	—
Natural gas/oil – peaking units	0.6%	0.2%	0.2%
Renewables	3.4%	3.8%	3.3%
Total company-owned generation units	**71.3%**	**68.1%**	**67.2%**
Power purchase contracts			
Nuclear	20.5%	25.4%	27.1%
Natural gas	1.4%	2.1%	2.1%
Renewables	1.5%	2.7%	3.1%
Other	3.5%	0.9%	0.5%
Total power purchase contracts	26.9%	31.1%	32.8%
Purchased power from MISO	1.8%	0.8%	—
Total purchased power	**28.7%**	**31.9%**	**32.8%**
Total electric utility supply	**100.0%**	**100.0%**	**100.0%**

Natural gas utility operations in Wisconsin

Our Wisconsin natural gas utility operations include We Energies' natural gas operations for all periods and WPS's natural gas operations, including in the Upper Peninsula of Michigan, beginning July 1, 2015.

We are authorized to provide retail natural gas distribution service in designated territories in the state of Wisconsin, as established by indeterminate permits and boundary agreements with other utilities. We also transport customer-owned natural gas. Together, our natural gas distribution utilities are the largest in Wisconsin, and we operate throughout the state, including the city of Milwaukee and surrounding areas, northeastern Wisconsin, and large areas of both central and western Wisconsin.

Natural gas customer statistics (thousands)

(Years ended Dec. 31)

Customers	2015[1]	2014	2013
Residential	1,299.7	993.9	985.7
Commercial and industrial	123.4	93.3	92.4
Transport	2.6	1.8	1.7
Total customers	**1,425.7**	**1,089.0**	**1,079.8**
Customers - average	**1,417.8**	**1,081.5**	**1,074.9**

1 Includes the operations of WPS beginning July 1, 2015, as a result of the acquisition of Integrys.

Utility operations in Illinois

Our Illinois segment includes the natural gas utility operations of Peoples Gas and North Shore Gas. These Illinois corporations began operations in 1850 and 1900, respectively. We acquired Peoples Gas and North Shore Gas as a result of the acquisition of Integrys on June 29, 2015. Peoples Gas and North Shore Gas customers are located in Chicago and the northern suburbs of Chicago, respectively.

Customer statistics (thousands)

Customers	2015
Residential	838.2
Commercial and industrial	46.2
Transport	107.8
Total customers	**992.2**
Customers - average	**982.3**

Utility operations in other states

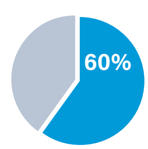
Our other states segment includes the natural gas utility operations of Minnesota Energy Resources and Michigan Gas Utilities. We acquired the natural gas distribution operations of Minnesota Energy Resources and Michigan Gas Utilities, located in Minnesota and Michigan, respectively, on June 29, 2015, with the acquisition of Integrys. Minnesota Energy Resources serves customers in various cities and communities through Minnesota, and Michigan Gas Utilities serves customers in the southern portion of lower Michigan.

Customer statistics (thousands)

Customers	2015
Residential	345.8
Commercial and industrial	33.8
Transport	23.0
Total customers	**402.6**
Customers - average	**401.5**

Electric transmission segment - American Transmission Company

ATC is a regional transmission company that owns, maintains, monitors and operates electric transmission systems in Wisconsin, Michigan, Illinois and Minnesota. ATC is expected to provide comparable service to all customers, including We Energies and WPS, and to support effective competition in energy markets without favoring any market participant. ATC is regulated by the FERC for all rate terms and conditions of service and is a transmission-owning member of MISO. MISO maintains operational control of ATC's transmission system, and We Energies and WPS are non-transmission owning members and customers of MISO.



As of Dec. 31, 2015, our ownership interest in ATC was approximately 60 percent. This increase over the Dec. 31, 2014, ownership interest of approximately 26 percent was due to the acquisition of Integrys.

We Power segment - Power the Future (PTF)

All four PTF units were constructed under leases approved by the Public Service Commission of Wisconsin (PSCW).

We are recovering our costs of the PTF units, including subsequent capital additions, through lease payments that are billed from We Power to We Energies and then recovered in We Energies' rates as authorized by the PSCW, the Michigan Public Service Commission, and the FERC. Under the lease terms, our return is calculated using a 12.7 percent return on equity and the equity ratio is assumed to be 55 percent for the Oak Creek units and 53 percent for the Port Washington Generating Station units.

Economic indicators

The following describes our financial results, including earnings, operating income, capital expenditures, taxes paid and employee benefits.

Financial highlights (millions, except per share data)

(Years ended Dec. 31)	2015	2014	2013
Wisconsin	$ 884.2	$ 770.2	$ 719.4
Illinois	78.1	—	—
Other states	6.0	—	—
We Power	373.4	368.0	366.6
Corporate and other	(91.2)	(26.1)	(5.9)
Total operating income	**1,250.5**	**1,112.1**	**1,080.1**
Electric transmission	96.1	66.0	68.5
Other income, net	58.9	13.4	18.8
Interest expense	331.4	240.3	250.9
Income before income taxes	1,074.1	951.2	916.5
Income tax expense	433.8	361.7	337.9
Preferred stock dividends of subsidiaries	1.8	1.2	1.2
Net income attributed to common stockholders	**$ 638.5**	**$ 588.3**	**$ 577.4**
Diluted earnings per share	**$ 2.34**	**$ 2.59**	**$ 2.51**

Consolidated earnings

Earnings increased $50.2 million in 2015, driven by a $30.1 million net increase in earnings due to the inclusion of Integrys's results beginning July 1, 2015, partially offset by acquisition costs. Also contributing to the increase was a $20.8 million pre-tax gain ($12.5 million after tax) from the sale of Minergy LLC and its remaining financial assets in June 2015.

Wisconsin segment operating income

Operating income at the Wisconsin segment increased $114.0 million, driven by a $122.8 million increase due to the inclusion of WPS operating income beginning July 1, 2015, as a result of the acquisition of Integrys. Without the inclusion of WPS operating income, operating income at the Wisconsin segment decreased $8.8 million in 2015.

Illinois segment operating income

We did not have any operations in Illinois until our acquisition of Integrys. The Illinois segment contributed $78.1 million to operating income in 2015. See subsidiary financials on wecenergygroup.com for more specific information on Peoples Gas and North Shore Gas.

Other states segment operating income

We did not have any operations in this segment until our acquisition of Integrys. The other states segment contributed $6.0 million to operating income in 2015.

We Power segment operating income

Operating income at the We Power segment increased $5.4 million, or 1.5 percent, when compared to 2014. This increase was primarily related to higher revenues in connection with capital additions to the plants it owns and leases to We Energies.

Corporate and other segment operating income

Operating loss at the corporate and other segment increased $65.1 million when compared to 2014, driven by costs associated with the acquisition of Integrys.

Electric transmission segment operations

Earnings from our ownership interest in ATC increased $30.1 million when compared to 2014, driven by the increase in our ownership interest from 26.2 percent to approximately 60 percent as a result of the acquisition of Integrys. This increase was partially offset by lower earnings recognized by ATC, as ATC further reduced earnings in 2015 related to an anticipated refund to customers resulting from a complaint filed with the FERC requesting a lower return on equity for certain transmission owners.

Capital expenditures by operating segment (millions)

	2015	2014	2013
Wisconsin	$ 950.3	$ 715.0	$695.7
Illinois	194.4	-	-
Other states	34.7	-	-
We Power	53.4	41.1	25.8
Corporate and other	33.4	5.2	3.7
Total	**$ 1,266.2**	**$ 761.2**	**$ 725.2**

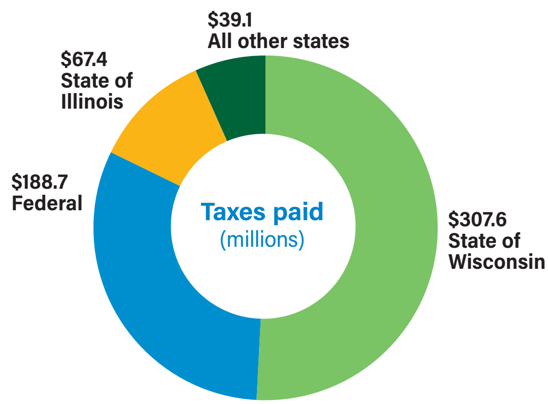
The following table shows our capitalization structure as of Dec. 31, 2015, 2014 and 2013, as well as an adjusted capitalization structure that we believe is consistent with the manner in which the rating agencies currently view our 2007 6.25 percent Series A Junior Subordinated Notes due 2067, Integrys's 2006 6.11 percent Junior Subordinated Notes due 2066, and Integrys's 2013 6.00 percent Junior Subordinated Notes due 2073:

Capitalization structure (millions)

	2015	2015 adjusted	2014	2014 adjusted	2013	2013 adjusted
Common equity	$ 8,654.8	$ 9,239.7	$ 4,419.7	$ 4,669.7	$ 4,233.0	$ 4,483.0
Preferred stock of subsidiary	30.4	30.4	30.4	30.4	30.4	30.4
Long-term debt	9,124.1	8,539.2	4,170.7	3,920.7	4,347.0	4,097.0
Long-term debt – current	157.7	157.7	424.1	424.1	342.2	342.2
Short-term debt	1,095.0	1,095.0	617.6	617.6	537.4	537.4
Total capital	**$ 19,062.0**	**$ 19,062.0**	**$ 9,662.5**	**$ 9,662.5**	**$ 9,490.0**	**$ 9,490.0**
Total debt	**10,376.8**	**9,791.9**	**5,212.4**	**4,962.4**	**5,226.6**	**4,976.6**
Debt to total capital	**54.4%**	**51.4%**	**53.9%**	**51.4%**	**55.1%**	**52.4%**

Taxes

Our corporation and subsidiaries paid $602.8 million in taxes during 2015, which includes income, payroll, sales and other taxes. The chart to the right provides further information about 2015 tax payments by jurisdiction.



Benefit obligations

WEC Energy Group and its subsidiaries have defined-benefit pension plans that cover substantially all of our employees, as well as several unfunded nonqualified retirement plans. In addition, WEC Energy Group and its subsidiaries offer multiple other post-retirement employee benefit (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. Approximately half of the projected benefit obligation for legacy Wisconsin Energy Corporation employees relates to benefits based upon years of service and final average salary. New Wisconsin Energy Corporation management employees hired after Dec. 31, 2014, receive a 6 percent annual company contribution to their 401(k) 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 nonunion employees as of Jan. 1, 2013. These employees receive an annual company contribution to their 401(k) plan, which is calculated based on age, wages, and full years of vesting service as of Dec. 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.

Plan details (millions)

	Pension		OPEB	
Change in benefit obligation	**2015**	**2014**	**2015**	**2014**
Benefit obligation as of Jan. 1	$1,505.5	$1,410.2	$397.7	$362.7
Obligation assumed from acquisition	1,594.0	–	493.0	–
Service cost	30.4	10.1	20.7	8.5
Interest cost	94.3	68.1	26.7	17.8
Participants' contributions	–	–	12.7	9.1
Plan amendments	–	–	–	(4.6)
Actuarial loss (gain)	14.6	120.4	(74.0)	29.4
Benefit payments	(156.0)	(103.3)	(36.2)	(26.4)
Federal subsidy on benefits paid	N/A	N/A	1.6	1.2
Plan curtailment	0.2	–	(0.2)	–
Benefit obligation as of Dec. 31	$3,083.0	$1,505.5	$842.0	$397.7
Change in fair value of plan assets				
Fair value as of Jan. 1	$1,444.6	$1,451.0	$333.5	$327.6
Assets received from acquisition	1,420.9	–	442.1	–
Actual return on plan assets	(62.1)	88.5	(15.6)	17.7
Employer contributions	107.7	8.4	13.3	5.5
Participant contributions	–	–	12.7	9.1
Benefit payments	(156.0)	(103.3)	(36.2)	(26.4)
Fair value as of Dec. 31	$2,755.1	$1,444.6	$749.8	$333.5
Net liability	**$327.9**	**$60.9**	**$92.2**	**$64.2**

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 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 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.

Previously, the Wisconsin Energy Corporation pension trust target allocation was 45 percent equity investments and 55 percent fixed-income investments. A transition to a target asset allocation of 35 percent equity investments, 55 percent fixed-income investments, and 10 percent private equity and real estate investments began in late 2014. The Integrys pension trust target allocation moved from 70 percent equity investments and 30 percent fixed-income investments in 2014 to 60 percent equity investments and 40 percent fixed-income investments for 2015. The current OPEB trusts' target asset allocations are 60 percent equity investments and 40 percent fixed-income investments for Wisconsin Energy Corporation, and 70 percent equity investments and 30 percent fixed-income investments for Integrys. 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 U.S. Treasuries.

Pension and OPEB plan investments are recorded at fair value.

We expect to contribute $23.8 million to the pension plans and $6.9 million to OPEB plans in 2016, dependent upon various factors affecting us, including our liquidity position and possible tax law changes.

Fair values ending Dec. 31, 2015 (millions)

	Pension				OPEB			
Asset category	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 17.0	$ 45.8	$ --	$ 62.8	$ 9.8	$ 1.3	$ --	$ 11.1
Equity securities:								
U.S. equity	524.1	291.0	--	815.1	146.4	136.3	--	282.7
International equity	192.2	351.2	--	543.4	57.2	133.3	--	190.5
Fixed-income securities: [1]								
U.S. bonds	53.2	1,019.2	--	1,072.4	122.3	116.1	--	238.4
International bonds	67.4	140.3	--	207.7	16.0	6.7	--	22.7
Private equity and real estate	--	--	53.7	53.7	--	--	4.4	4.4
Total	**$853.9**	**$1,847.5**	**$ 53.7**	**$2,755.1**	**$351.7**	**$393.7**	**$ 4.4**	**$749.8**

1 This category represents investment grade bonds of U.S. and foreign issuers denominated in U.S. dollars from diverse industries.

Supplier information

WEC Energy Group is committed to developing a supply base to meet current and future business requirements. We strive to develop relationships with high-quality suppliers that can commit to improve performance and deliver added value.

Suppliers are subjected to a certification process that evaluates environmental, safety, legal, ethical and financial factors. The supplier selection decision is based on quality, safety, environmental compliance, diversity and ability to deliver on the work requirement and schedule. The driving decision factor on most equipment and material purchases is the total cost of ownership.

Geographic location is a factor when determining freight charges or logistics. We have no formal policy to prefer locally based suppliers, but traditionally, there are economic advantages to procure goods and services within the Midwest, concentrating in Wisconsin, Illinois , Michigan and Minnesota.

Investment and procurement practices

As equal opportunity employers, WEC Energy Group (WEC) and its subsidiaries comply, and require their suppliers to comply, with all federal, state and local employment laws, rules and regulations. Our Supply Chain department has implemented steps to ensure our companies do business with qualified suppliers that share our philosophies.

Compliance certificate - Suppliers and contractors hired by our companies must sign a nondiscrimination compliance certificate.

Direct hiring sharing philosophy - We expect suppliers to share our belief in the hiring of minorities and female employees.

Environmental management requirements - Suppliers are required to meet specific baseline environmental performance requirements and seek continual improvement in a manner that decreases potential impact to the environment and business risk to our companies and suppliers.

Safety - We require suppliers to fully understand our safety requirements and procedures, and to use all necessary devices, safeguards and practices in the performance of work to properly protect the safety and health of their own employees, employees of our companies, and of other contractors and members of the public who may be exposed to the work.

Fitness for duty - We require suppliers to adhere to our fitness for duty policies and to participate in a fitness for duty program as applicable.

Information security - During each step of the sourcing process, bid information and communication with suppliers is held secure through internal policies as well as the configuration of e-sourcing tools. Use of e-sourcing tools ensures that data is held secure and only accessed by authorized users. Access to all sourcing information is limited on a need-to-know basis.

Procurement policies - Procurement policies ensure an ethical approach to the sourcing process and selection of suppliers. These policies are designed so that all departments work with Supply Chain to fairly bid work. Supply Chain ensures that the bid list is fair, inclusive of minority and womens business enterprise suppliers, and the bid process rules are followed so that no one bidder is perceived as having an inside track or special treatment. Policies also require that appropriate contracting is undertaken so that terms and conditions that protect our company and our companies are included and adhered to. This mitigates risk of litigation, which ultimately protects the customers.

Supplier diversity - Supply Chain supports supplier diversity by actively developing suppliers, including training on bidding process and technologies, and facilitating meetings between the end user and diverse suppliers.

Supplier expectations - Supply Chain sets performance expectations for key suppliers in five specific areas:

- Improve customer satisfaction
- Reduce costs
- Enhance safety
- Improve processes through innovation
- Promote supplier and workforce diversity

Suppliers must adhere to, measure and report results for each of these performance expectations.

Supplier risk assessment - Where applicable, Supply Chain assesses suppliers based on environmental, safety, financial, ethical and legal factors prior to and during their contractual relationship with our companies.

Supplier performance expectations

Supplier goals are built around five principles: safety, innovation, cost reduction, supplier and workforce diversity, and customer satisfaction. Through these principles, suppliers' performance is aligned to the same goals as Supply Chain. This promotes a continuous thread of excellence in key areas and provides a consistent level of service to Supply Chain's internal and external customers.

Supply Chain uses the contracting process to make suppliers aware of our goals. The general supply base is provided information through the request for proposal process and is expected to strive to emulate our culture of excellence within the services they provide to us.

Supplier goals

Safety – Suppliers must perform work safely and align their safety goals to our safety goals. Suppliers are expected to:

- Target Zero – to strive for zero injuries to all employees
- Promote a safe work environment 100 percent of the time
- Watch for unsafe conditions; take immediate action when an unsafe condition is identified or a near miss incident has occurred
- Ensure safety guidelines and procedures are current and all staff is trained

Innovation – Suppliers are expected to look for new and better ways to conduct business with us. Examples of expected supplier actions are:

- Develop new processes that enhance service and reduce costs
- Use industry knowledge and best practices to promote ideas for growth and change
- Identify innovative ideas through use of technology, engineering and process enhancements
- Mitigate risk by finding ways to ensure business continuity for the company
- Use industry events and connections to seek out best practices among peers

Cost reduction – Suppliers are required to strive for cost reduction, and ensure timely and accurate reporting of these reductions.

- Strategic teams are tasked with goals around reducing costs and reporting to an executive steering committee
- Suppliers are expected to use industry expertise to leverage their business and pass on cost advantages to our companies
- Cost avoidance is tracked, when processes or new purchases are made unnecessary through other means
- Suppliers are expected to ensure that resources are used properly to minimize cost passed on to our companies

Supplier and workforce diversity – Suppliers must understand our goals for supplier diversity and adhere to contractual requirements regarding diverse businesses.

- Be aware of the community in which work is being performed and make a best effort to have the workforce performing that work reflect the make-up of the community
- Attend symposiums to support ongoing relationships with internal company customers
- Ensure a specific percentage of direct diverse spend when contractually required to do so
- Report second-tier spend to the office of supplier diversity

Customer satisfaction – Suppliers must demonstrate appropriate conduct.

- Key contractors must continue to meet increasing customer expectations for high-level, immediate emergency response services
- Key suppliers are required to track customer satisfaction metrics
- Suppliers must adhere to guidelines on interactions with company customers
- Suppliers must pursue opportunities to contract with the company in which compensation is determined by the suppliers' ability to meet and maintain specific customer satisfaction results
- Strategic suppliers must understand company goals and align their services to help meet those goals

Supplier diversity

Corporate supplier diversity policy statement

WEC Energy Group (WEC) and its subsidiaries are committed to building meaningful business opportunities for certified minority-, women-, service-disabled- and veteran-owned businesses (M/W/SD/Vs).

WEC encourages and promotes the development, utilization and growth of M/W/SD/Vs that want to provide quality products and services. Our Supplier Diversity Initiative strategies include:

- Securing the commitment of every employee who is responsible, directly or indirectly, for the purchase of products and services to encourage the meaningful participation of M/W/SD/V business enterprises
- Establishing reasonably attainable goals consistent with the policies and practices of WEC and its subsidiaries
- Creating quality procedures and practices for all to achieve and record supplier diversity activities
- Developing innovative and effective means to permit the participation of M/W/SD/V business enterprises
- Cultivating relationships through the effective exchange of information to capture the benefits of quality products and services at competitive prices

Administration and implementation of this policy are the responsibility of all organizations and business units throughout WEC, with the support of the Supplier Diversity Initiative. Overall company coordination is the responsibility of the Supplier Diversity Initiative vice president.

Promoting diverse suppliers fosters competition, enhances job creation and generates additional purchasing power in the communities in which WEC and its subsidiaries do business. Therefore, it is our corporate policy to offer M/W/SD/Vs the opportunity to compete on an equal basis with other suppliers.

Supplier Diversity Initiative

Our Supplier Diversity Initiative is designed to increase access, procurement opportunities and use of minority-, women-, service-disabled- and veteran-owned businesses through the purchase of products and services. The Supplier Diversity Initiative provides support and assistance to company business units, departments and supply chain to ensure implementation throughout the organization. It also helps to develop and maintain proactive relationships with various minority- and women-owned business advocacy organizations.

Requirements

A qualified minority-owned business must be:

- A for-profit enterprise, regardless of size
- Physically located in the U.S.
- At least 51 percent owned, operated and controlled by one or more minority individuals. In case of a publicly owned business, at least 51 percent of the stock is owned by one or more minority individuals. Minority group members are African-American, Hispanic-American, Native-American, Asian Indian-American and Asian Pacific-American
- Certified with one or more of the Minority Business Enterprise (MBE) and/or Women-Owned Business Enterprise (WBE) certification organizations that we recognize

A qualified nonminority, women-owned business must be:

- A for-profit enterprise, regardless of size
- Physically located in the U.S.
- At least 51 percent owned, operated and controlled by one or more nonminority women. In case of a publicly owned business, at least 51 percent of the stock is owned by one or more nonminority women
- Certified with one or more of our recognized WBE certification organizations

M/W/SD/Vs areas of opportunity

- Aboveground and underground utility construction
- Advertising and marketing services
- Asbestos abatement and insulation construction services
- Automotive and truck repair and maintenance services
- Chemicals and gases
- Civil and structural engineering
- Computer hardware and software
- Distribution and power transformers
- Electric motor repair services
- Electrical equipment and supplies
- Electrical maintenance and repair services
- Environmental services
- Facilities management services
- Financial and investment services
- Fuel oil, lubricants and greases
- Hard and soft restoration construction services
- Human resource consulting services
- IT consulting services
- Legal counsel services
- Maintenance, repair and operating supplies
- Pole line hardware equipment
- Power plant maintenance and repair services
- Roofing construction
- Staff augmentation services
- Telecom equipment
- Vegetation management

Supplier Diversity Initiative minority, and women-owned business enterprise advocacy organizations

- African American Chamber of Commerce of Wisconsin
- American Indian Chamber of Commerce of Wisconsin
- Chicago Minority Supplier Development Council
- Chicago United
- Edison Electric Institute Supplier Diversity Committee
- Hispanic American Construction Industry Association
- Hispanic Chamber of Commerce of Wisconsin
- Hmong Wisconsin Chamber of Commerce
- Illinois Black Chamber of Commerce
- Illinois Hispanic Chamber of Commerce
- Illinois Utilities Business Diversity Council
- Michigan Minority Supplier Development Council
- National Association of Minority- and Women-Owned Law Firms
- National Association of Minority Contractors – Wisconsin Chapter
- National Minority Supplier Development Council and its regional councils
- North Central Minority Supplier Development Council
- Small Business Administration
- Women Business Development Center – Chicago
- Women Business Enterprise National Council and its partner organizations
- Wisconsin Women's Business Initiative Corp.

» 2015 We Energies recognition for supplier diversity practices

North Central Minority Supplier Development Council 2015 Wisconsin Corporation of the Year For Supplier Diversity

Edison Electric Institute Supplier Diversity Innovation Award

2015 Corporate 101: Most Admired Corporations for Supplier Diversity by Minority Business News USA

Skilled workforce

Over the next five years, more than 44 percent of the employees at WEC Energy Group companies will be eligible to retire. As part of a proactive approach to ensure continuity of service delivery, individual development plans have been completed by employees to identify their short- and long-term career interests. Development is structured to meet the needs of the individual career interests and our companies' business objectives.

WEC Energy Group companies use behavioral-based interviewing to identify top talent. The recruitment strategy is multifaceted, with no single source for finding needed talent. For example, the company has built strong relationships with high schools, colleges and universities in the areas it serves, and invests in programs such as InRoads, Chicago City College - Utility Worker Program, Wisconsin Regional Training Program and Cristo Rey. Each year, our companies employ students in internships and cooperative education programs. Our companies have been recognized by local universities for successfully placing students in meaningful assignments leading to full-time jobs after graduation.

Our companies also have strong ties with community organizations to help find diverse talent, along with local government workforce development programs. For example, the Earn and Learn program is a city of Milwaukee initiative aimed at connecting city youth with local employers to develop work-readiness skills while earning wages through temporary work and internships. Developing a strong community workforce is important, and We Energies has participated in the Earn and Learn program for the past three years. Our companies also partner with military organizations and veteran groups to attract people with technical and leadership skills.

Strategic talent development is a business driver for WEC Energy Group. We focus on growing a superior organization by attracting, selecting and developing the right talent to meet business needs. Throughout the application process, our companies work to identify and hire the best talent, and quickly integrate them into their new roles by equipping them with the tools and knowledge needed to be successful.

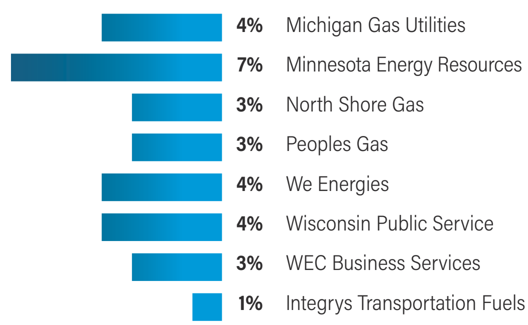
Our leaders have the responsibility to continually develop the talent of their organizations through the broadening and deepening of business and leadership knowledge, thus ensuring future business success.

Succession planning and internal talent development are integral components of the workforce planning process. Our board of directors reviews executive leadership succession plans annually to ensure leadership continuity. Senior management conducts an annual talent review to ensure that talent is being developed for future senior leadership roles. The senior talent review process also identifies early career talent to assess future leadership potential and consider development plans that may include short-term rotational assignments, mentoring or other opportunities for developing leadership skills. Succession planning is conducted in the business units to ensure the development of talent pools for critical operational roles where external talent may be difficult to find.

As a strategy for developing the external labor pool, our companies contribute to nonprofit organizations that support recruiting needs for a diverse, promotable workforce. In 2015, contributions were made to Milwaukee Urban League, Wisconsin Regional Training Partnership, Fox River Valley Pipe Trades Educational Foundation, Center for Energy Workforce Development and Chicago Urban League. Contributions also were made to many accredited educational institutions within the companies' service areas.

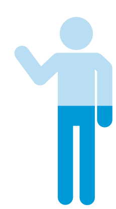
We also support the Construct Program and the Gas Utility Worker Program at Dawson Technical Institute of Kennedy-King College in Chicago. In addition to charitable donations, employees are active in community events that promote careers in energy to diverse populations, including school-based mentor programs and career fairs.

Retirement rates (Percentage of actual retirements in 2015)



Hiring rates

In 2015, approximately **50%** of open positions across our companies were filled through external recruiting.



Diversity

We value diversity as an opportunity to strengthen our companies' success. We are committed to maximizing both individual contributions and organizational effectiveness through the diversity of our workforce.

For this purpose, we:

- Ensure a highly qualified and diverse organization in all areas and at all levels
- Actively seek out and encourage diverse ideas, perspectives and points of view
- Establish an environment of inclusion that respects and embraces diversity

These commitments reflect our strong determination to become a high-performance, pluralistic organization that will achieve a sustained competitive advantage in a global energy marketplace.

Diversity demographics (Year ended Dec. 31)

Company	Females	Minorities
Michigan Gas Utilities	15.72%	5.03%
Minnesota Energy Resources	13.43%	4.63%
North Shore Gas	9.58%	26.35%
Peoples Gas	13.22%	55.41%
We Energies	28.46%	14.72%
Wisconsin Public Service	16.55%	2.41%
Wispark	66.67%	33.33%
WEC Business Services	54.65%	24.26%
Integrys Transportation Fuels	15.74%	19.44%
Total	**26.26%**	**20.27%**

We encourage diverse workforce development by fostering inclusion and equal opportunity. Diversity is a value and a strength that drives success and helps us realize our full potential and business goals. A number of initiatives promote diverse workforce contributions, educate employees about diversity issues and make our companies attractive employers for persons of diverse backgrounds.

Labor practices

WEC Energy Group companies have a local union presence that spans Wisconsin, Illinois, Minnesota and Michigan. We maintain good working relationships and strive to sustain collaborative relationships with all unions represented. We hold regular labor and management meetings, as well as regular meetings with executive leadership and the union leaders, to discuss and resolve business issues. Our companies also have relationships with various trade union organizations.

Represented employees (Year ended Dec. 31)

Union	Expiration date of current labor agreement
Local 2150 of International Brotherhood of Electrical Workers	Aug. 15, 2017
Local 420 of International Union of Operating Engineers	Oct. 15, 2016 and Sept. 30, 2017
Local 2006 Unit 1 of United Steel Workers	April 30, 2017
Local 2006 Unit 3 of United Steel Workers	Feb. 28, 2018
Local 417 Utility Workers Union of America	Feb. 15, 2019
Local 31 International Brotherhood of Electrical Workers	May 31, 2020
Local 12295 United Steelworkers of America	Jan. 15, 2017
Local 18007 Utility Workers Union of America	April 30, 2018
Local 2285 International Brotherhood of Electrical Workers	June 30, 2019
Local 1147 International Brotherhood of Electrical Workers	April 7, 2018

WEC Energy Group workforce (Year ended Dec. 31)

Company	Total	Represented employees	
Michigan Gas Utilities	159	108	67.92%
Minnesota Energy Resources	216	39	18.06%
North Shore Gas	167	121	72.46%
Peoples Gas	1,339	955	71.32%
We Energies	4,076	2,681	65.78%
Wisconsin Public Service	1,329	917	69.00%
Wispark	3	0	0%
WEC Business Services	1,043	0	0%
Integrys Transportation Fuels	108	0	0%
Total employees	**8,440**	**4,821**	**57.12%**

Represented employees account for **57%** of the workforce.

Human rights

We support the principles of human rights and fully support the Universal Declaration of Human Rights. We are committed to maintaining a culture that supports human rights and demonstrate our commitment through various means, such as employee training and education. We educate all new employees on our Code of Business Conduct policies, which cover relevant aspects of human rights issues. All employees are trained on ethical standards, including anti-harassment and diversity.

Nondiscrimination

We are committed to providing a work environment that respects the dignity of each employee. Discrimination is not tolerated, and complaints are taken seriously and investigated thoroughly. We are committed to the protection of rights of all individuals, including minority groups and women.

Federal and state laws

We are subject to federal and state laws, which include:

- Freedom of association and collective bargaining
- Child labor laws
- Forced and compulsory labor

None of our operations are in a position that would interfere with employees' freedom of association and collective bargaining, child labor laws, forced and compulsory labor, or interfere with the rights of indigenous people.

- We are not a global enterprise
- All employees are U.S. citizens or have a valid U.S. visa
- Local presence is 100 percent
- All senior management-level employees are company officers

We ensure compliance with our human rights policy and applicable laws by continuous monitoring and auditing of our internal processes, such as hiring and promotion practices. Additionally, we actively encourage all employees to speak up if they feel our human rights policy or applicable laws have been violated. All such reports are taken seriously and investigated. We expect the same standards from our suppliers and all other entities with which we conduct business.

Our board of directors has overall responsibility for our human rights policy, while our executive vice president of human resources and organizational effectiveness is responsible for the oversight and implementation of the policy.

Benefits and compensation

We publicly report compensation information as required by law. We comply with federal and state laws and maintain compensation equity for salary between men and women. Our compensation package offers a variety of benefits. Full-time benefits include:

- Medical insurance
- Matching gifts program
- Dental insurance
- Prescription drug coverage
- Payable absence plan
- Life insurance
- Long-term disability
- Mental health counseling
- Employee assistance program
- Tuition reimbursement
- Pension plan
- Wellness incentives
- Vacation days
- Employee retirement savings plan – 401(k)
- Vision insurance
- Service awards

We offer benefits to both full- and part-time employees.

Performance management

Employees are expected to hold each other accountable for demonstrating the top five competencies directly linked with business success:

- Safety
- Customer focus
- Sense of urgency
- Personal responsibility for results
- Financial discipline

This clear expectation affects the entire performance management process. It requires a determined effort on the part of employees to apply the right energy and focus to achieve their goals, and calls upon leaders to provide support and guidance aimed at encouraging the behaviors critical to company success.

Performance management is the process of aligning employee performance with the needs of the business. It includes goal setting, performance monitoring, measuring and appraising, and providing feedback and recognition.

Training and education

Talent management is a primary focus for our companies, and leadership always has demonstrated that employee training and development gives a sustainable competitive edge for the future. Leadership and technical development remain a critical focus throughout our companies.

In 2015, more than 166,000 classroom and e-learning training events took place throughout our companies. Employee development through performance reviews took place on a regular basis. Training, mentoring and coaching are key elements in improving employee performance and, therefore, improving customer service, safety, corporate performance and reliability of systems.

Over half of those learning events are delivered online. Some of the online courses included annual ethics training, safety refreshers, operator qualification training and other job skill training. Leadership development also is augmented with online training. Employees had access to online training, ranging from learning software programs to business and leadership competencies as well as access to portals that include topical references, online books, job aids and simulations.

The remainder of the learning events took place in a classroom environment. In addition to technical, safety and on-the-job training for apprenticeships and skilled trades, a variety of soft skills programs were available to employees. These offerings included development for administrative professionals, courses for employees considering retirement, and courses to improve communication, decision-making, problem-solving and time-management skills. Assessment tools for individual contributors and leaders also are used for a variety of development needs – in both classroom and individual consulting scenarios. In all instances, employees were provided expert guidance in using their assessment results.

Development of leadership skills is a priority. The corporate leadership development program begins at the supervisor level with a mandatory supervisor core curriculum for new supervisors. The curriculum includes training on leadership, decision-making, performance management, diversity and inclusion, conflict management, crucial communication skills and other important business and management skills for supervisors/leaders.

Developing leaders at the manager level constitutes the second tier of leadership development, and this is accomplished in partnership with the Sheldon B. Lubar School of Business at the University of Wisconsin-Milwaukee. Leaders are offered an intensive, six-day curriculum with training on accountability, developing and implementing strategy, improving financial performance, team effectiveness, decision-making, negotiation, leading change and more. Participants in this curriculum begin and end this program with a focus on the feedback they've received from a customized 360-degree feedback survey.

The third tier of leadership development is offered annually, also through the Sheldon B. Lubar School of Business at the University of Wisconsin-Milwaukee, to the director and senior leaders of the company, consisting of executive education tailored to align with specific leadership requirements.

Environmental Performance

Wisconsin Public Service Tomahawk Hydro Plant

Providing safe, reliable and affordable energy to customers is a responsibility WEC Energy Group companies take seriously. We also are focused on responsibility and commitment to protecting the environment.

Environmental commitment guiding principles

Include environmental factors as an integral part of planning and operating decisions.

Recognize the contribution every employee can make to improve our environmental performance and encourage employees to become environmental stewards.

Communicate and reinforce environmental values throughout our companies.

Practice responsible environmental stewardship of all properties and natural resources entrusted to our management.

Minimize adverse environmental impacts of operations by meeting or surpassing environmental standards, investing in energy efficiency measures, and supporting our recycling and waste-reduction programs.

Support research and implement new technologies for emissions control, energy efficiency, renewable energy resources, and other environmental and health concerns associated with utility operations.

Accept accountability for our operations by responding to environmental incidents quickly and effectively, and promptly informing appropriate parties.

Provide public participation opportunities and welcome communication from stakeholders on environmental issues.

Continue to foster constructive working relationships with environmental organizations, community leaders, media and government agencies.

Participate with government and others in creating responsible laws and regulations to safeguard the environment, community and workplace.

Commit employee and management resources to support and implement these principles.

Periodically review performance to ensure that programs and practices are consistent with these principles.

Our approach to environmental stewardship

Consistent with our environmental commitment guiding principles, we pursue a proactive strategy to manage our environmental performance.

Our companies are subject to extensive environmental regulations affecting past, present and future operations, and incur significant expenditures in complying with these environmental requirements, including expenditures for pollution control equipment, environmental monitoring, emissions fees and permits at all generating facilities.

Our governance structure and practices support a strategic focus on environmental issues. WEC Energy Group's chief executive officer has specific responsibility for climate change-related strategies. The vice president – environmental for the utility subsidiaries manages tactical approaches to implement our climate change strategies.

We have a formal mechanism to provide regular environmental issue updates, including climate change, to the audit and oversight committee of the board of directors through quarterly reports from the vice president – environmental. The CEO also provides the board with updates on environmental matters, as necessary.

The Audit and Oversight Committee assists the board of directors in carrying out the board's responsibility to oversee our strategy and compliance with legal and regulatory requirements. The committee's oversight of environmental matters includes reviewing and providing oversight of environmental compliance matters to ensure that appropriate management attention is being given to such matters. The committee is responsible for discussing, among other things, our major environmental risk exposures and the steps management has taken to monitor and control such exposures.

Management report to the committee on legislative, regulatory and legal developments in this area. In addition, our utilities are members of, and actively participate in, several industry organizations, such as Edison Electric Institute, Utility Air Regulatory Group, American Gas Association and Electric Power Research Institute (EPRI), that are involved in the legislative, regulatory, research, development and demonstration processes.

Responsibility for environmental compliance lies within our operating units. The WEC Environmental Compliance Audit program is one way to track the effectiveness of the compliance program across the corporation. This program provides specific requirements for objectivity, scope, auditor qualifications, corporate facility coverage, frequency, quality and responsibilities. Any noncompliance is reported to senior management. The quarterly report to the audit and oversight committee of the board of directors includes the status of the Environmental Compliance Audit program and any significant findings of non-compliance. We also address supplier environmental performance through our procurement processes and through supplier audits that use criteria derived from the International Organization for Standardization's (ISO) 14001 guidelines to measure environmental management system compliance.

We have a commitment to audit all of our utility operating facilities. Our audit schedule is reviewed annually and revised as necessary to meet changing regulatory requirements and the needs of operating facilities, as well as to identify opportunities for continual improvement. We use a risk-based approach to potential environmental exposures to determine the necessary frequency of facility audits. A combined audit program began in mid-2015 to incorporate facilities from legacy Integrys' operating companies with our existing facilities. Our internal environmental audit program includes the key elements of an effective environmental management system.

During 2015, we conducted 36 environmental compliance audits of Power Generation and Customer Operations facilities. The Environmental department also conducted seven environmental permit construction inspections and two supplier endorsement reviews. Third-party audits and system reviews are conducted on an as-needed basis – for example, continuous emission monitoring systems. Regulatory agencies from Wisconsin, Michigan and Illinois conducted 39 inspections at WEC Energy Group facilities.

Our utilities' environmental emergency response process includes spill prevention, control and countermeasure plans for all facilities as well as contingency plans, off-site plans, and site emergency response plans. An environmental incident response team is on call 24/7 to provide assistance with response to chemical spills and incidents throughout our utility service areas.

Supporting a clean energy future

We are committed to ensuring customers have the energy they need, operating our power plants in an environmentally responsible manner, and making renewable energy a key part of our energy mix.

Our companies evaluate environmental impacts and environmental regulations, including regulation of greenhouse gas (GHG) emissions, in all facets of its strategic business planning. The companies follow a comprehensive approach to address electricity supply and reliability issues for their customers in a way that considers both the economy and the environment.

Our companies' environmental performance effectively demonstrates how environmental issues are integrated into strategic planning. In 2000, we began to strategically reshape our portfolio of electric generation facilities, resulting in reduced environmental impact and improved environmental performance.

Reducing greenhouse gas and other air emissions

Addressing climate change is an integral component of the strategic planning process, demonstrating commitment to effective environmental stewardship while fulfilling an obligation to provide reliable energy to customers. We have strategically reshaped our portfolio of electric generation facilities with investments that have improved environmental performance, including reduced GHG intensity of our operating fleet.

Investments in repowered generating facilities, new renewable energy facilities, new fossil-fueled generating facilities with state-of-the-art air-quality control systems, power grid upgrades, and additional environmental protection technologies position our electric energy companies well for the future.

Among the steps taken:

- Retired 11 coal-fueled power generation units totaling 652 megawatts (MW)
- Added two combined-cycle natural gas units totaling 1,090 MW that replaced 305 MW of coal-fueled power generation
- Added one combined-cycle natural gas unit of 565 MW
- Added coal-fueled power generation units to provide 1,056 MW of generation, with performance that ranks among the most thermally efficient coal-fueled power generation units in the nation
- Added air-quality control systems to a number of existing coal-fueled power generation units
- Entered into a long-term power purchase agreement for nuclear power generation produced by Point Beach Nuclear Plant, which currently totals approximately 1,030 MW
- Executed short-term power purchase agreements for 75 MW of wind generation
- Increased investment in energy efficiency and conservation

- Added 447 MW of wind generation
- Added 50 MW of biomass cogeneration at an existing paper mill site
- Converted Valley Power Plant from coal to natural gas. The plant is a cogeneration facility located along the Menomonee River in Milwaukee, Wisconsin, which generates electricity for the power grid and produces steam for heating and other purposes for hundreds of downtown Milwaukee buildings

In addition, state-required programs fund energy conservation projects based on utility annual operating revenues. Customers contributed approximately $65 million toward energy conservation in 2015. Initiatives of demand-side management, power plant efficiency improvements, beneficial use of combustion products in place of carbon-intensive materials, distribution system efficiencies and increased renewable energy generation have reduced systemwide GHG emissions intensity.

Air emission reductions

Wisconsin Public Service (WPS) is upgrading the emission control system on Unit 3 at Weston Generating Power Plant near Wausau, Wisconsin. The new system, called ReACT (Regenerative Activated Coke Technology) will reduce sulfur dioxide (SO_2), nitrogen oxides (NO_x), mercury and other emissions, complementing the controls previously installed at Weston 3: fabric filters, low NO_x burners and separated over-fire air system, and mercury control system.

Air-quality control systems are in use at other generating facilities: Pleasant Prairie Power Plant and Oak Creek Power Plant units 5-8 have been retrofitted with selective catalytic reduction systems for NO_x emissions removal and wet flue-gas desulfurization units (scrubbers) for SO_2 emissions removal. These projects, along with additional measures taken at other facilities, have resulted in more than an 80 percent reduction in SO_2 and NO_x emissions combined when compared to 2000 emissions.

The Oak Creek Expansion Units are equipped with new technologies for air-quality controls, including selective catalytic reduction systems, fabric filter baghouses, scrubbers and wet electrostatic precipitators.

Presque Isle Power Plant uses EPRI's patented Toxecon process to reduce mercury emissions up to 90 percent compared to tests taken in 2008, the year prior to implementation. The air emission controls installed at the Oak Creek site capture more than 90 percent of the mercury present in flue gas without use of sorbent injection, as practiced at Presque Isle Power Plant. Through the addition of calcium bromide to coal supplies, we are able to capture more than 75 percent of the mercury from the Pleasant Prairie Power Plant and the Oak Creek site.

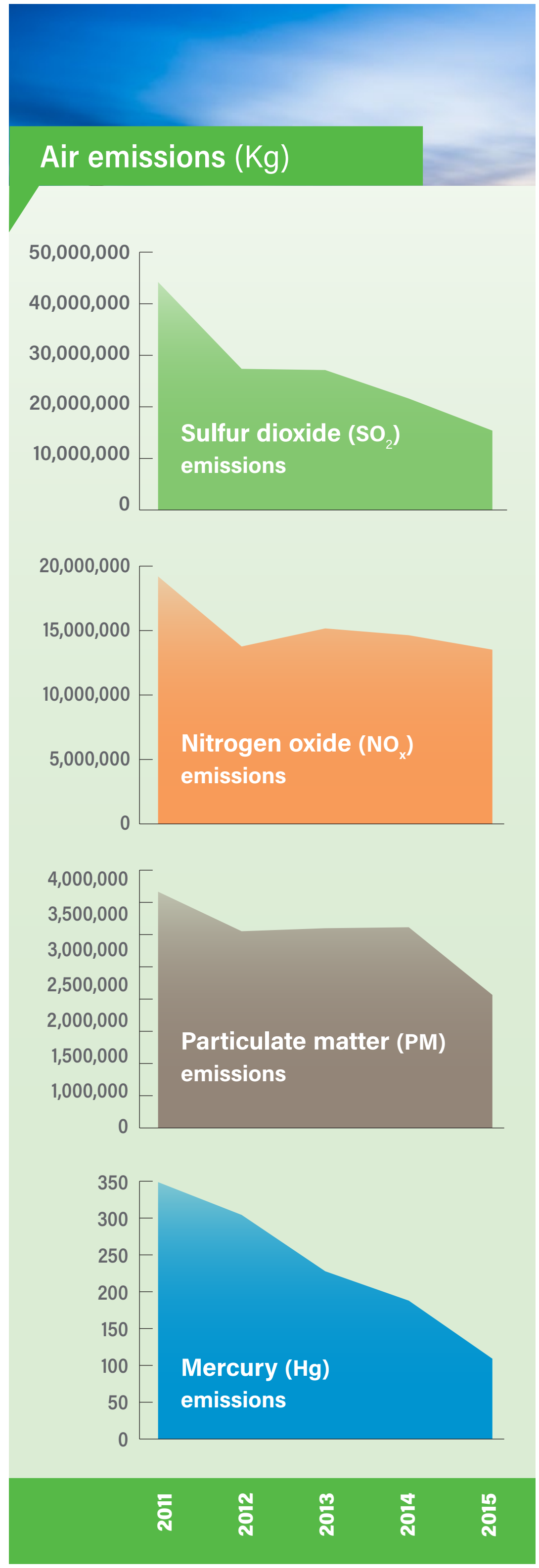
To reduce emissions of particulate matter, we installed high-efficiency fabric filters on generating units at the Oak Creek site, Presque Isle Power Plant and Valley Power Plant. Other plants have high-efficiency electrostatic precipitators that remove more than 99 percent of particulate matter. In addition to the above controls, the units that have SO_2 controls (scrubbers) achieve additional particulate removal.

GHG and natural gas distribution

Maintaining more than 45,000 miles of natural gas main and serving more than 2.8 million natural gas customers is no small task. Our companies are addressing the aging infrastructure of our natural gas distribution system. In Illinois, Peoples Gas is continuing work on the System Modernization Program, a 20-year project that began in 2011 under which Peoples Gas is replacing approximately 2,000 miles of Chicago's aging natural gas pipeline infrastructure. Peoples Gas is participating in the U.S. Environmental Protection Agency's (EPA) Natural Gas STAR Methane Challenge Program, in which oil and natural gas companies make and track commitments to reduce their methane emissions. The program helps partners demonstrate their efforts to improve air quality, save energy and increase operational efficiencies. These programs, and other ongoing pipe and component replacement activities, enhance safety and reliability for customers while reducing releases of natural gas to the environment.

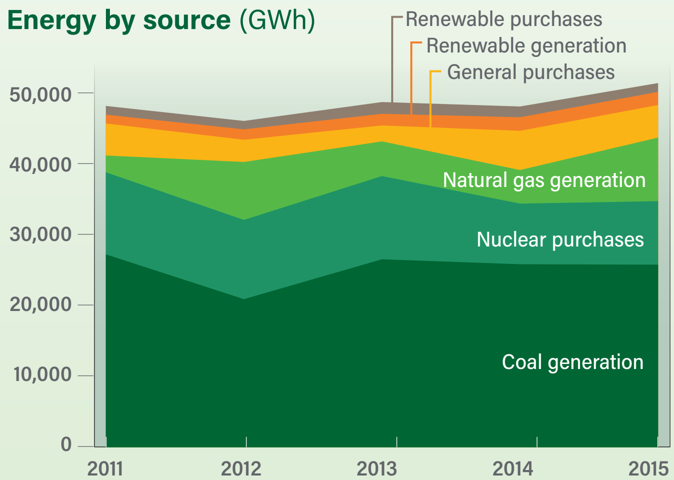
Natural gas distributors report GHG emissions to the EPA. We report carbon dioxide equivalent (CO_2e) amounts related to the natural gas our utilities distribute and sell, as well as emissions due to natural gas distribution system leaks. For 2015, we reported emissions of approximately 27.2 million metric tons of CO_2e to the EPA related to the distribution and sale of natural gas. The amount associated with fugitive emissions was approximately 1.2 percent. Emissions from electricity generation totaled approximately 31.0 million metric tons of CO_2e.

» Because climate change is a global issue, we joined with other organizations and energy companies in tree planting, land protection and sustainable forest management initiatives, in both domestic and international locales. These projects provide not only carbon sequestration benefits but also critical wildlife habitat restoration, soil and water quality improvement, and flood reduction.



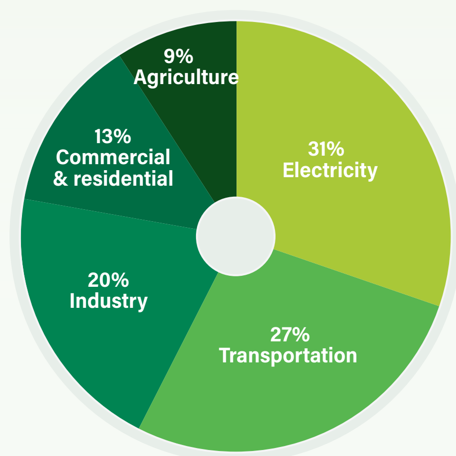
Energy and emissions

Energy by source (GWh)



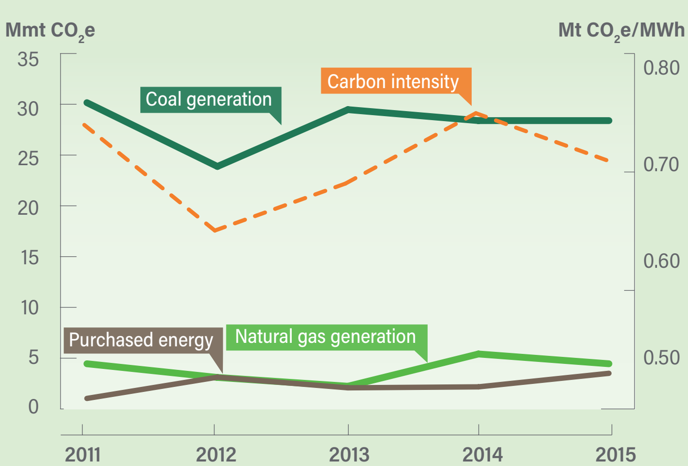
Total U.S. greenhouse gas emissions by economic sector

Source: EPA



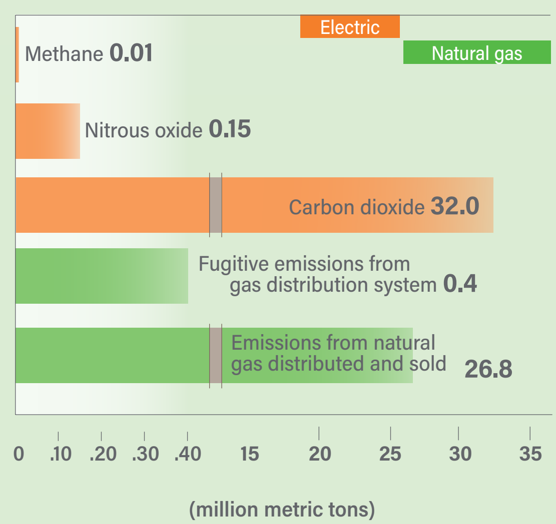
GHG emissions from electricity generation and purchases

carbon dioxide equivalents (CO_2e)



2015 GHG emissions from electricity and natural gas distribution

carbon dioxide equivalents (CO_2e)



U.S. EPA's regulation of GHG emissions from fossil fuel sources

We have long supported flexible, market-based strategies to curb GHG emissions, including efficiency improvement, emissions trading and credit for early actions. We support an approach that encourages technology development and transfer, and includes all sectors of the economy and all significant global emitters.

We believe environmental and climate policy should foster development of new, cost-effective clean energy technologies. Environmental and economic interests are aligned when environmental regulation allows flexible, cost-effective and market-based approaches to achieving desired environmental results.

In 2015, the EPA issued the Clean Power Plan, which is a final rule that regulates GHG emissions from existing generating units, as well as a proposed federal plan as an alternative to state compliance plans. The rule is seeking GHG emission reductions in Wisconsin and Michigan of 41 percent and 39 percent, respectively, below 2012 levels by 2030. The EPA also issued final performance standards for modified and reconstructed generating units, as well as for new fossil-fueled power plants. If Wisconsin or Michigan decides not to file a state compliance plan, we may be required to comply with the federal plan.

In February 2016, the U.S. Supreme Court stayed the effectiveness of the rule until disposition of the litigation in the D.C. Circuit Court of Appeals and to the extent that review is sought, at the Supreme Court. In addition, on Feb. 15, 2016, the governor of Wisconsin issued Executive Order 186, which prohibits state agencies, departments, boards, commissions or other state entities from developing or promoting a state plan. Therefore the state of Wisconsin has been unable to move forward with any state plan.

We are working with EPRI and other organizations to assess the potential impact of new and proposed rule requirements on our companies and on our customers in the states in which we generate electricity. Our companies are meeting with various stakeholders to discuss and model several options and identify those that could minimize impacts on reliability and customers. Analyses of the many complicated aspects of the final rule will continue to be evaluated, including options available to our electricity generating units to meet the federal plan if the states in which we operate choose not to develop a plan. We believe it is preferable for states to develop and submit a plan rather than await a final federal plan that could vary significantly from the proposal and may not account for a state's particular circumstances.

We expect that these regulations will impact operations and operating costs of existing facilities, particularly our fossil-fueled power plants and biomass facility. The unsettled status of environmental regulations related to GHG creates a great deal of continuing and increasing uncertainty for utility planning and complicates decision-making about the future operation of existing power plants, with additional uncertainty due to the potential outcomes of legal challenges. Capital and operation and maintenance investments in fossil-fueled power plants are expected to be required. Nationally, these changes are leading to additional retirements of coal and natural gas power plants. Locally, we will continue to assess and address concerns about reliability and other impacts to customers.

WEC Energy Group's plan to address GHG emissions from our electric generation fleet continues to achieve reductions in CO_2 emissions. Components of our plan include these actions:

- Re-powered the Valley Power Plant, which has a capacity of 272 MW, from coal to natural gas. This project, completed in 2015, reduced the CO_2 emission rate from the plant by more than 40 percent.
- Sold the Milwaukee County Power Plant in 2016, which facilitated its conversion from coal to natural gas.
- Working to develop alternative generation resources to serve the Upper Peninsula of Michigan, so that we can retire the Presque Isle Power Plant by the end of 2019.
- Received research and test exemptions to evaluate co-firing of natural gas in some of our coal-fueled units. Testing commenced June 15, 2016.
- Continuing our evaluation of possible future retirements of other coal-fueled units.

Local generation technology

As we develop and implement a compliance plan to meet additional regulations for state GHG goal reductions, we will consider various approaches and activities that help reduce or mitigate GHG, including local generation.

Local generation is power production or energy storage technology dispersed throughout the power grid that provides electricity close to the point of use when compared to central station power generation. Local generation resources include fossil and renewable energy technologies (e.g., photovoltaic arrays, wind turbines, microturbines, reciprocating engines, fuel cells, combustion turbines and steam turbines); energy storage devices (e.g., batteries and flywheels); and combined heat and power systems.

We continue to evaluate the impact across our electric energy companies' service areas of the continued adoption of local generation by electric customers. As the number of customers with electric generating devices on their homes and businesses increases, we believe it is important that everyone who relies on the power grid pays their share of the cost to keep it operating reliably and safely.

In addition to the renewable generation facilities described on the next page, we believe it is important that our electric energy companies continue to generate power at central station power plants in order to achieve economies of scale and produce continuous sources of power at a competitive cost. The companies are conducting a collaborative research project with EPRI to investigate the potential for improving power system resiliency by effectively integrating local generation (microgrids) while building on the availability and reliability of the existing power grid in a compatible and interactive way. The results of this and other research and demonstration efforts will help the companies adapt their business models to realize the potential benefits – to their customers and their power grid – of incorporating local generation technologies.

Flexibility and reliability: Achieving a balance

Current GHG emissions regulation, as well as future legislation or regulation that may be adopted, carries with it a wide range of possible effects on our energy business; therefore, we strive for the flexibility to react to this variety of potential outcomes while ensuring a secure, low-cost and reliable supply of fuel for generating needs. Our electric energy companies build flexibility into fuel supply and transportation contracts to address climate change regulation.

Our companies have no guarantee that they will be allowed to fully recover costs incurred to comply with the Clean Power Plan or that cost recovery will not be delayed or otherwise conditioned. The Clean Power Plan and any other related regulations that may be adopted, either at the federal or state level, to reduce GHG emissions could have a material adverse impact on our electric generation and natural gas distribution operations, could make some of our electric generating units uneconomic to maintain or operate, and could affect unit retirement and replacement decisions. These regulations could also adversely affect our future results of operations, cash flows and possibly financial condition.

Renewable energy: A plus for the environment

Fuel diversity in our generation portfolio has been key to our strategy of providing environmental leadership and reliable electricity at competitive prices. Our renewable energy facilities continue to provide non-emitting generation, ensuring compliance with Wisconsin Act 141, the state's renewable portfolio standard, and reducing system carbon intensity. We Energies and WPS met the renewable portfolio standard well in advance of the state deadline:

- Our companies own and operate a total of 280 wind turbines located at five sites around southeast and central Wisconsin and one in northern Iowa, with an installed capacity of 447 MW and a rated capacity of 73 MW as of Dec. 31, 2015.
- Rothschild Biomass Cogeneration Plant is a 50 MW power plant fueled with wood waste (biomass) from northern Wisconsin forests. The plant began commercial operation in 2013, and provides electricity for the grid and steam for papermaking. All biomass suppliers must follow Wisconsin's Woody Biomass Harvesting Guidelines or other applicable biomass harvesting plans, Best Management Practices for Water Quality, and Wisconsin's Forest Management Guidelines.
- The hydroelectric generating system consists of 30 operating plants with a total installed capacity of 168 MW and a rated capacity of 146 MW as of Dec. 31, 2015. Construction is in progress to rebuild the 100-year-old Twin Falls powerhouse, increasing its capacity approximately 50 percent.

For nearly two decades, WPS has implemented SolarWise for Schools, an award-winning solar and renewable energy education program for high schools in the WPS service area. SolarWise schools receive a 2-kilowatt solar energy system installed at the school; a hands-on renewable energy curriculum; teacher training to integrate curriculum

Renewables

Our renewable portfolio as of Dec. 31, 2015.

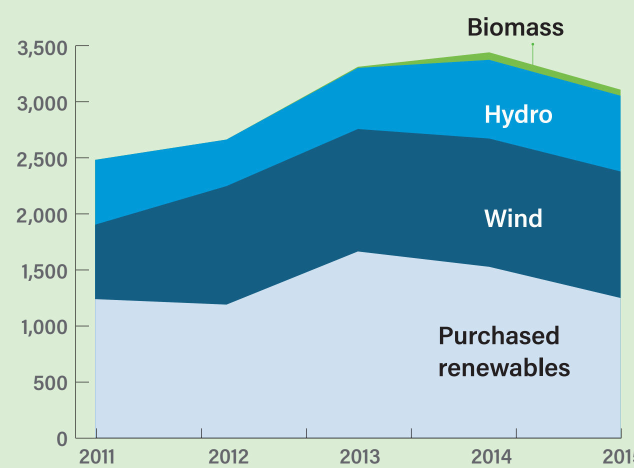
280
WIND TURBINES
Capacity:
Installed: 447 MW
Rated: 73 MW

30
HYDRO PLANTS
Capacity:
Installed: 168 MW
Rated: 146 MW

1 BIOMASS COGENERATION PLANT

50 MW plant fueled with wood waste. Provides electricity for the grid and steam for papermaking.

Renewable energy generation and purchases (GWh)

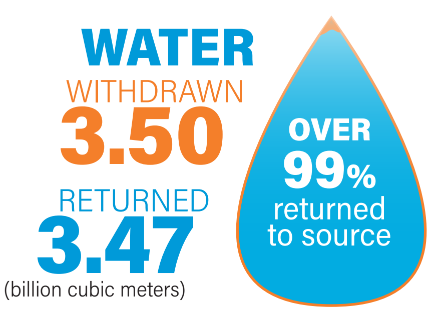


materials into existing courses; and the opportunity to participate in WPS' annual Solar Olympics. The program, supported by tax-deductible donations from WPS customers, provides numerous benefits: renewable electricity produced and carbon dioxide emissions avoided; energy cost savings for the schools; and the education of the next generation of energy consumers about renewable energy.

Water use. Our companies recycle water used in power generation and use systems that minimize consumptive water loss. Most of our power plants use open-cycle cooling systems. These systems withdraw surface water from natural cold water sources, pump the water through steam condensers to cool and condense the steam that drives turbine generators, and then all of the cooling water is returned to the source. For facilities with cooling towers, about 25 percent of the water is returned to the source with the balance of the water loss going to the air during the evaporative cooling process.

Several power plants have modified water intake structures to meet requirements of new federal rules. The state regulatory agencies that implement these rules have determined that power plant intake structure modifications at those plants are the best technology available for each facility. Many of the water intake modification projects were installed well ahead of the EPA-required implementation dates. This proactive approach minimized environmental impacts on fish and other aquatic organisms by using intake structures that meet best-technology-available standards.

Fox Energy Center beneficially reuses treated effluent from the Heart of the Valley Metropolitan Sewerage District to supply its process water and cooling water needs. Reuse of treated effluent wastewater that would otherwise be returned to the Fox River is an environmentally preferable alternative to the use of surface water or groundwater resources. Water received at the facility undergoes additional treatment for the removal of pollutants such as mercury, phosphorus and total suspended solids. The beneficial reuse of treated effluent results in a net reduction in the quantity of pollutants that would otherwise be discharged into the Fox River. This results in a net benefit to the public and the aquatic environment in the Fox River.



Beneficial use of combustion products

We Energies and WPS have several initiatives that recover and use materials produced from plant operations.

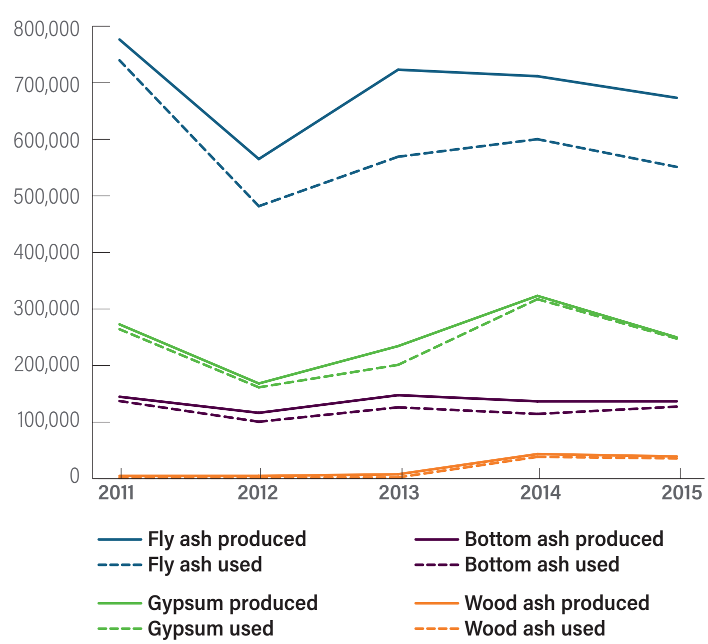
In 2015, more than 88 percent of the systemwide combustion products from our electric energy facilities were beneficially used, including gypsum, fly ash, bottom ash and wood ash from our biomass plant. The national average is approximately 48 percent, according to the American Coal Ash Association.

In the past 15 years, our companies have provided more than 12.8 million metric tons of combustion products for beneficial use. Most of these materials have been used as construction materials in concrete, concrete products, cement manufacturing, wallboard production and as alternative materials to sand, gravel and crushed stone aggregates. A corporate directive specifies that combustion products produced by our companies' power plants are to be used whenever possible on our companies' projects. In addition to uses in construction industries, gypsum and wood ash have been beneficially used in agricultural applications as soil amendments.

Our companies maintain highly successful research and development programs that include numerous patents that have the potential to further support use of combustion products from our power plants. As changes occur in the makeup and quantities of materials produced due to power plant operations or environmental regulations, research and development efforts position our companies to continue beneficial use of these materials.

Since 2000, We Energies has removed, recovered and used approximately 450,000 metric tons of combustion products stored

Combustion products (tons)



at its Pleasant Prairie landfill. Using ash from the past has resulted in annual combustion product utilization rates of We Energies that exceeded 100 percent in some years. Due to the full recovery of landfill materials, a landfill cell using new technologies was constructed to replace the original cells.

Part of the effort to maximize beneficial use of byproducts includes reburning some combustion products with coal to recover residual fuel value in the materials and to improve the characteristics of coal ash for beneficial use. Since 2000, these processes have displaced more than 3,880 rail cars or more than 400,000 metric tons of coal that would otherwise need to be purchased.

We Energies does not use any wet coal ash impoundments. The WPS Weston Power Plant site has a small active impoundment that is scheduled for ash removal and conversion to a process wastewater basin by 2020.

Recycling commitment

Recycling is an integral part of our corporate environmental commitment, affecting all of our facilities. We encourage employees to be responsible for environmental stewardship by supporting our recycling and waste reduction programs. Waste minimization is the first step in effective use of materials, and our recycling commitment encourages all efforts to minimize waste – reduce, reuse and then recycle. Effectiveness of the recycling program depends on employee participation and results in:

- Avoided disposal costs due to reducing the amount of material for disposal
- Proceeds from the sale of recycled materials that help reduce the cost of operating a recycling program

Environmental, Facility Management, Supply Chain and Corporate Communications staff work together with all employees to provide the tools, materials and information needed to make this program successful.

Since 2011, our companies have recycled about

50%

of our nonhazardous materials that would otherwise be waste.

Other environmental activities

Investing in research for longer-term alternatives

Since 2006, we have invested approximately $5.4 million in climate change research and development programs through membership in EPRI. Examples of supplemental project investments include:

- Innovative technologies for capturing carbon dioxide from flue gas of a coal power plant in a pilot project for demonstrating chilled ammonia scrubbing of CO_2 at Pleasant Prairie Power Plant near Kenosha, Wisconsin
- A larger-scale project at a power plant in West Virginia to demonstrate chilled ammonia scrubbing technology combined with storing captured CO_2 in an underground geologic formation
- An effort to investigate potential to deliver GHG emissions reductions from avoided deforestation in the Amazon's Xingu River Basin
- A project to explore development of algal biotechnology for energy production and carbon recycling
- Two patents for carbon mineralization processes secured

We have made other investments, through EPRI and elsewhere, related to renewable energy and demand-side energy efficiency that also should have potential benefits related to GHG emission reductions.

Natural resource stewardship

We seek to enhance the sensitive natural habitats on our companies' properties, using sound practices to manage for multiple uses – aesthetics, biodiversity, cultural resources, forestry, recreation, water quality and wildlife. We support stewardship efforts that reach beyond the properties, across state and national borders. Some electric and natural gas facilities cross protected or potentially sensitive habitats such as wetlands, grasslands, savannas and forests. When we consider new facility locations or routes, or maintain and/or upgrade existing facilities, environmental staff members work with project teams to avoid potentially sensitive areas, protect the surrounding environment, and minimize potential impacts to ecological, social and cultural resources.

Less than an estimated 5 percent of natural gas and electric distribution projects have any sort of natural resource impacts (wetland/waterway/rare species). Of those projects, the impact is estimated to be less than 0.001 acre of natural resource impact per project. Careful planning and implementation during electric distribution and natural gas lateral pipeline projects have resulted in a net improvement in quality of wetland habitat and increased biodiversity following construction activities as a result of restoration and management of impacted wetlands.

Our companies look for opportunities to work with local, state and federal agency staff in a collaborative manner during the regulatory review of our projects. Appropriate stakeholders are brought together to achieve positive stewardship goals through opportunities during construction of proposed distribution projects.

Members of our companies' staff lead several comprehensive wildlife conservation efforts with the coordination and cooperation of the Wisconsin Department of Natural Resources (WDNR) and multiple partners. Priority goes to species and native ecosystems in the greatest need of protection, recovery and enhancement, including peregrine falcons, bald eagles, osprey, Karner blue butterflies, wood turtles and a number of other endangered or threatened species that have been identified in the service area.

One example is the Karner Blue Butterfly Habitat Conservation Plan. Because Wisconsin is home to the largest remaining Karner blue butterfly (federally endangered) population in the world, our companies have worked with the U.S. Fish and Wildlife Service and the WDNR to develop and implement the habitat conservation plan, which establishes partnerships between public and private sectors and government agencies to promote rare species habitat conservation. Wild lupine is crucial to the survival of Karner blue species, as it is incapable of reproducing without it. Our companies' construction and maintenance projects remove brush along corridors to allow lupine to grow and thrive. Surveys of projects within the Karner blue range help to adjust project activities as needed to eliminate or reduce impacts to the endangered butterfly. Of more than 100 acres of upland habitat being restored with native prairie and barrens habitat along a natural gas lateral project in west-central Wisconsin, more than 55 acres of Karner blue native habitat are being restored or created, approximately three-quarters of which is on a voluntary basis. Large portions of the restored Karner habitat occurs on federally approved recovery properties for this species.

In Michigan, We Energies has worked with the Michigan Department of Natural Resources (MDNR) and local sport fishing organizations since 2003 on a net penning project for Chinook salmon at Presque Isle Power Plant. The net penning process provides an interim habitat for salmon to adapt to the lake rather than stocking these directly into the open waters of Lake Superior. The process allows fish to become better acclimated to the environmental challenges ahead and build defenses against predator birds such as gulls and cormorants. Return rates for similar projects have been up to 20 percent compared with direct stocking return rates of approximately 2 percent.

Peregrine falcons are calling our companies' power plants home. Our companies have maintained nesting boxes on power plant chimneys and rooftops for more than two decades. More than 300 peregrine young – more than 22 percent of the peregrine falcon population in Wisconsin – have been born at our companies' power plant nesting boxes.

To help educate and raise awareness of the species, real-time viewing is available from hourly photos throughout the year and a live video webcam during the nesting season.

Ospreys frequently try to nest on top of power poles, which can result in power outages and harm to the ospreys. Since 1980, field crews have constructed alternative nest structures for osprey breeding pairs and have assisted private and public land owners in erecting nest structures in key habitat locations. Our companies have helped install dozens of osprey platforms in Wisconsin and Michigan's Upper Peninsula. These efforts have supported the recovery of the ospreys, which now exceed more than 500 breeding pairs in Wisconsin alone.

Wood turtles are a protected species occurring throughout much of the companies' service areas. When a project is identified that may have the potential to coincide with wood turtle habitat, we collaborate with the state endangered resources staff to ensure all appropriate measures are taken to avoid any impacts. If natural gas and electric projects cross corridors that are home to wood turtles, construction practices are altered and plans devised to avoid impact. We Energies has been an active partner since 2011 with a nonprofit organization dedicated to the recovery of diminished wood turtle populations in Wisconsin.

Natural areas and wetlands

We support efforts to create, restore and manage wetland habitats on our companies' properties, including 12 restored and created wetland pothole habitats in Ozaukee and Manitowoc counties. Wetland habitats have been restored and are managed at numerous facilities.

Near the Oak Creek Expansion Units in Oak Creek, Wisconsin, approximately 90 acres of restored wetland, enhanced wetland, upland prairie and upland woodlands are maintained and managed. These sites, located near a rapidly urbanizing area along the Lake Michigan migratory bird flyway, have created large habitat blocks, providing a water quality buffer for the Root River, a tributary to Lake Michigan. The sites now are being managed for invasive plant species to continue to improve the habitat. A public bike and recreational path also was constructed through portions of these lands.

A unique migratory bird stopover habitat on the former south coal dock at Port Washington Generating Station was created in 2011. This approximately 5-acre habitat includes native marsh and wet meadow wetlands as well as tallgrass prairie where migrating birds have a resting place along the Lake Michigan shoreline, which is a primary flight corridor in the heart of the Mississippi flyway. Since the initial site restoration occurred in 2011, more than 100 species of waterfowl, shorebirds, passerine and other species have been recorded at the site.

Hundreds of acres of natural areas contained within closed and active ash landfills are actively managed to promote biodiversity, maintain large blocks of intact natural areas and restore native communities occurring within our companies' service areas. Numerous state rare species occur on these properties and their habitats are managed for long-term viability. Additionally, native prairie species are used to convert landfill areas to native grasslands.

At several properties, native plantings are used to augment storm water control facilities. Filter strips and native buffers are being used to reduce sediment loading. Storm water management plans for power distribution sites are incorporating native plants. Native plantings include species not only for their value in storm water management but also those that provide substantial wildlife value for local fauna, including the monarch butterfly.

Recreational improvements

Our companies work with state agencies in both Wisconsin and Michigan to continue protection of natural resources and public recreational opportunities at lands our companies formerly owned. In two separate transactions, We Energies sold more than 7,500 acres to the WDNR and MDNR to permanently protect unique and environmentally important lands and waterways in northern Wisconsin and the Upper Peninsula of Michigan. The Menominee River State Park and Recreation Area was created as a result of the latest property transaction. Earlier transactions provided upstream protection of a Class I brook trout stream, preservation of an oak-pine barrens landscape, and permanent protection of lands and the addition of six miles of national wild and scenic river within the Sturgeon River Gorge Wilderness.

Repowering the Port Washington Power Plant from coal-fueled units built in the 1930s to high-efficiency natural gas generation facilitated redevelopment of the former north coal dock to a lakefront park in downtown Port Washington, Wisconsin. We Energies worked with a number of agencies and local government to transition land management in support of this community project. In addition, the city received more than $1.1 million in grants to support overall redevelopment of the site to improve public access and to provide additional recreational opportunities. We also completed construction of a public access road and kayak/canoe launch south of the repowered Port Washington Generating Station. Open access to the stopover habitat area created on the south dock is afforded to the public through a passive recreational trail loop around the perimeter of the site and is connected to adjacent city parklands. Along the south perimeter of the dock, a cantilevered platform was built closer to the lake level to provide additional public access to the water to allow for shoreline fishing.

Since 1941, WPS has partnered with the WDNR to improve fisheries at the Peshtigo Dam, stocking the area with muskie and lake sturgeon. WPS also partnered to protect the spawning of muskie, white suckers and walleye. In addition, WPS, the WDNR and the U.S. Fish and Wildlife Service work to control the sea lamprey population. The lampreys prey on game fish in Lake Michigan and then travel upstream to spawn in the Peshtigo and Menominee rivers. WPS also works with local communities to promote recreational opportunities for community residents and schools. Some examples:

- Bay Nordic Ski Club's project to install lights along ski trails at the Brown County Reforestation Camp in Suamico, Wisconsin
- An Iron Mountain, Michigan, bike group's project to install a mountain bike course near the Twin Falls hydroelectric facility
- County projects in Wisconsin to install recreational trails, such as the Lake Country Bike Trail on company-owned electric corridors
- A power-line friendly garden at Monk Botanical Gardens in Wausau

Protection of natural resources

Our companies also support activities aimed at restoring habitat through controlling invasive plants and animals such as buckthorn, Eurasian water milfoil, garlic mustard, purple loosestrife, leafy spurge, giant reed grass, Japanese knotweed, sea lamprey and zebra and quagga mussels, among others. Our companies conduct research and provide ongoing support for research by others on aquatic invasive species management. In addition, resources are contributed to assist agencies and other groups who conduct invasive species surveys, manage natural areas and produce educational materials about invasive species and the threats they pose to biodiversity. Our companies also support land-management activities related to invasive species identification, control and management of thousands of acres within our companies' service areas.

We support habitat protection and/or restoration through the following sites and organizations in our service areas:

- Bain Station Prairie
- Caledonia Conservancy Lands
- Chiwaukee Prairie
- Eagle Bluff Environmental Center
- Friends of the Chicago River
- Friends of the Park
- Forest Beach Migratory Preserve
- Great Lakes Initiative
- High Cliff State Park
- Lake Forest Open lands
- Lapham Peak State Park
- Mequon Nature Preserve
- Milwaukee River Greenway
- Openlands
- Preservation Foundation
- Riveredge Nature Center
- Seven Generations Ahead
- Sidney Woodlands Preserve
- Spread Eagle Barrens State Natural Area
- Ulao Creek Watershed
- Wilderness Shores Recreation Area (along with numerous Wisconsin and Michigan shoreland areas)
- Zumbro Valley Watershed protection

Employee volunteer projects have helped with beach cleanup and restorations, adopt-a-highway and adopt-a-trail projects for semi-annual cleanups, setting of osprey nests, and community garden cleanup projects. Also, line clearance coordinators do a number of "Plant the Right Tree in the Right Location" outreach programs with area school children and community gardens.

Paying it forward

The We Energies and WPS Foundations and our other operating companies provide grants that promote the environment in areas they serve. We also support others' efforts for the betterment of fish and wildlife, water and air quality, forests, energy efficiency, renewable energy, and recycling.

Our foundations and other company staff review applications received from throughout our service areas and make recommendations for grants and funding. In 2015, contributions were made to nature centers and preserves, county planning and parks departments, land trusts, and other nonprofit organizations. The grants supported a variety of initiatives including prairie, wetland and other habitat creation, restoration, enhancement and expansion activities, fishing and trail accessibility and improvement projects, construction of new animal hospital at the N.E.W. Zoo near Green Bay, invasive species education and control, annual river and other cleanups, conservation programs, sustainable forestry education, Arbor Day programs, raptor education and rescue, lighting for a cross-country ski trail, student scholarships, and more.

Our corporation and company foundations appreciate the opportunity to assist organizations in achieving lasting results that help create brighter futures for the communities in which we do business.

See pages 69-70 for more information on the We Energies and WPS Foundations.

Environmental Performance - Air

Air emissions - electricity generation

		2011	2012	2013	2014	2015
Sulfur dioxide (SO_2)	(kg)	44,216,545	27,374,582	27,141,879	21,611,050	15,393,638
	(kg/MWh)	1.43	0.90	0.82	0.67	0.42
Nitrogen oxide (NO_x)	(kg)	19,202,620	13,765,548	15,167,519	14,638,243	13,518,417
	(kg/MWh)	0.62	0.45	0.46	0.45	0.37
Particulate matter (PM)*	(kg)	3,665,877	3,052,329	3,099,049	3,114,139	2,064,622
	(kg/MWh)	0.119	0.100	0.094	0.096	0.056
Volatile organic compound (VOC)	(kg)	454,499	395,904	483,081	399,480	433,989
	(kg/MWh)	0.015	0.013	0.015	0.012	0.012
Mercury (Hg)	(kg)	348.8	304.3	227.8	187.9	109.1
	(kg/MWh)	0.000011	0.000010	0.000007	0.000006	0.000003

* PM now includes all sources of particulate matter in addition to those with continuous emission monitors.

Greenhouse gas emissions (carbon dioxide equivalents (CO_2e)) - electricity generation and purchases (1,000 metric tons)

	2011	2012	2013	2014	2015
Oak Creek Site*	9,709	6,137	7,918	10,196	11,422
Pleasant Prairie Power Plant	7,183	6,290	8,789	7,120	7,569
Purchased power**	4,455	3,092	2,223	5,453	4,533
Weston Generating Station	4,634	3,647	4,523	3,698	3,147
Presque Isle Power Plant	2,607	2,248	2,227	2,255	2,088
Port Washington Generating Station	933	1,918	1,309	1,144	1,776
Columbia Energy Center	2,304	2,504	2,433	1,710	1,624
Fox Energy Center	0	994	615	552	1,224
Valley Power Plant***	1,035	850	875	908	623
J.P. Pulliam Generating Station	1,034	664	1,022	1,016	491
Edgewater Generating Station	570	496	521	507	479
Rothschild Biomass Cogeneration Plant	-	-	52	398	385
Milwaukee County Power Plant	145	139	140	128	121
Paris Generation Station	9	92	24	17	93
Concord Generating Station	18	60	34	39	69
West Marinette	18	44	43	47	66
Germantown Generating Station	7	24	9	14	17
De Pere Energy Center	14	28	16	13	13
Total CO_2e (1,000 metric tons)	**34,675**	**29,227**	**32,773**	**35,215**	**35,740**
System GHG Intensity (metric tons/MWh)	**0.72**	**0.63**	**0.67**	**0.73**	**0.70**

* CO_2e for Oak Creek Expansion Units was revised to reflect the company's ownership share.

** CO_2e from purchased power was estimated using regional factor published by the Michigan Public Service Commission.

*** Conversion of Valley Power Plant from coal to natural gas was completed during 2015.

Environmental Performance - Water

Water (billion cubic meters)	2011	2012	2013	2014	2015
Withdrawn from major sources	3.58	3.26	3.14	3.21	3.50
Municipal water purchases	0.004	0.004	0.004	0.004	0.004
Returned to source	3.55	3.23	3.11	3.17	3.47
Percent returned to source*	**99.2**	**99.1**	**99.0**	**98.8**	**99.1**

* Most of the water use is once-through cooling.

Environmental Performance - Land

Combustion products (metric tons)	2011	2012	2013	2014	2015
Combustion products produced	1,090,700	769,300	1,011,950	1,109,400	999,900
Combustion products used	1,101,900	687,200	1,036,100	1,016,700	880,600
Percent used	**101**	**89**	**102**	**92**	**88**
Bottom ash and recovered landfill ash (metric tons)					
Coal ash reburn	70,420	45,360	41,600	26,970	14,100
Coal displaced	18,630	10,610	5,780	5,490	3,750
Hazardous and non-hazardous waste (metric tons)					
Hazardous waste generated	18	91	117	929	353
Hazardous waste recycled	5	5	69	6	2
Nonhazardous waste generated	19,615	25,562	16,044	19,719	19,847
Nonhazardous waste recycled	9,160	10,208	7,697	11,561	11,728

Combustion products include fly ash, bottom ash, wood ash from the Rothschild Biomass Cogeneration Plant and gypsum produced in the flue gas desulfurization process at coal-fueled power plants. Recovery of some previous landfilled ash products resulted in the use of more combustion products than produced in those years.

Bottom ash and recovered landfill ash are burned at some generating facilities to recover energy from unburned carbon in the ash, producing high-quality fly ash used as a product to help meet concrete customer demand.

Hazardous waste includes boiler cleaning waste, substation soil, baghouse bags and other items such as aerosol cans. **Nonhazardous waste** includes ferrous and nonferrous scrap metal, used oil, mixed paper, cardboard, plastic, wood and other materials, municipal solid waste and other waste products.

Environmental Performance - Energy

Electric generation (GWh)	2011	2012	2013	2014	2015
Oak Creek Site*	9,438	5,664	7,566	10,012	11,142
Pleasant Prairie Power Plant	6,152	5,353	7,778	6,231	6,659
Weston Generating Station	4,991	4,027	4,983	4,123	3,609
Presque Isle Power Plant	2,251	1,900	1,888	1,892	1,739
Columbia Energy Center	2,227	2,337	2,320	1,560	1,477
Valley Power Plant**	631	482	457	466	181
Edgewater Generating Station***	557	496	536	526	487
J.P. Pulliam Generating Station	922	596	947	968	422
Milwaukee County Power Plant	28	26	27	25	28
Total coal generation	27,197	20,881	26,502	25,803	25,744
Port Washington Generating Station	2,273	4,962	3,351	2,943	4,744
Fox Energy Center	-	2,893	1,369	1,585	3,543
Valley Power Plant**	-	-	-	77	325
Concord Generating Station	22	80	41	45	86
Paris Generation Station	10	125	29	21	121
Germantown Generating Station	5	24	6	7	14
J.P. Pulliam Generating Station	25	25	31	20	80
West Marinette	21	40	49	37	44
De Pere Energy Center	21	42	24	17	20
Weston Generating Station	6	4	5	1	9
Total natural gas/other generation	2,383	8,195	4,905	4,753	8,986
Rothschild Biomass Cogeneration Plant	-	-	10	67	54
Other renewable energy generation	1,241	1,472	1,636	1,846	1,804
Total electric generation	30,821	30,548	33,053	32,469	36,588
General purchased power	4,526	3,141	2,258	5,540	4,605
Purchased power-nuclear	11,601	11,190	11,762	8,572	8,974
Purchased power-renewable energy	1,237	1,188	1,662	1,525	1,247
Total generated and purchased energy (GWh)	48,185	46,067	48,735	48,106	51,414
Total generated and purchased renewable energy (GWh)	2,478	2,660	3,308	3,438	3,105

* Energy for Oak Creek Expansion Units was revised to include only the company's ownership share.

** Conversion of Valley Power Plant from coal to natural gas was completed during 2015.

*** We Energies interest in Edgewater Generating Unit 5 was sold in March 2011.

Social Performance

Michelle Rindt of Peoples Gas educates a student about home energy savings.

Customer engagement

Our energy companies are committed to creating an excellent experience for every customer by offering truly personal care — every customer, every transaction, every time.

Our companies invest in systems and processes to enhance their ability to deliver energy to customers safely, cost effectively and dependably. This also includes ensuring the security of data and systems to protect customer information, and providing information customers need to make smart decisions about their energy use and service options.

Finally, our companies continue efforts to help their customers who may have difficulty paying their bills get back on track.

Listening to customers

Understanding what customers want is a key to success. Our companies want to know how customers feel about the energy products and services provided, resources offered and interactions with company employees. Our companies work to provide an entire experience that is positive. This includes making it easy to do business with our companies.

A variety of feedback mechanisms are in place to help get a complete picture of customers' experience with our companies. The feedback we obtain:

- Confirms what was done right
- Provides understanding where improvements can be made
- Helps leadership prioritize projects and make resource decisions based on what's most important to customers
- Provides opportunity to follow up and make it right when a customer is not completely satisfied
- Helps keep the mission on track to provide an excellent experience for every customer, every transaction, every time

Customer satisfaction surveys. In 2015, we worked to align customer satisfaction measurement across all of the WEC Energy Group companies. Monthly customer satisfaction surveys are now used at all of our companies to measure performance on key transactions and gauge overall satisfaction with each of our energy companies. Approximately 3,500 customers are surveyed each month about their experiences on the following transactions:

- Residential customer contacts
- Residential move orders
- Business customer contacts
- Billing
- Outage management
- Gas emergencies
- New service installations
- Appointments
- Forestry work

Post-interaction surveys. Many customers have the option to complete a survey whenever they interact with company websites or customer care centers. Approximately 30,000 customers took advantage of this opportunity in 2015. Results of these surveys are reviewed daily and followed up on whenever there is an issue or concern.

Pump It Up program. Employees are expected to listen closely to customers to ensure their complete satisfaction. This includes referring customers who might benefit from a follow-up contact to the Pump It Up program. Pump It Up is an internal online tracking and elevation system intended to ensure prompt response to customers who are dissatisfied or who have a concern; it also is used to share customers' suggestions for program and service enhancements and to pass along compliments and positive feedback. Customers who have been referred are contacted to address any issues or concerns and give the company the opportunity to make it right.

The year 2015 marked the 10-year anniversary of the Pump It Up program at We Energies. During the 10 years that the program has been in place, the company received important, actionable feedback from both satisfied and dissatisfied customers. This feedback has been used to enhance processes and improve all customers' future interactions. Also in 2015, the program was expanded to include all WEC Energy Group companies.

We Care calls. Our companies want every customer interaction to be a positive experience. In many cases, employees follow up with a phone call to confirm that customers who recently had a service call were completely satisfied with the service they received. Customers who express concerns receive additional follow up to ensure that their concerns are addressed.

The We Care call program, which has been in place at We Energies for more than 10 years, was expanded in 2015 to include Wisconsin Public Service, Peoples Gas and North Shore Gas customers. Expansion to customers of Minnesota Energy Resources and Michigan Gas Utilities is planned for 2016.

In 2015, nearly 460,000 residential and business customers were contacted with either personal or automated We Care calls concerning their:

- Power outage/gas emergency
- New service installation
- Appointment with the company
- Energy-saving information
- Budget billing participation
- Changed residence/activation of service

Social media. Many of our companies use social media to communicate with customers and respond to their issues, concerns and enhance their customer experience. Social media channels are monitored, and customers receive personal responses to specific questions and concerns. Knowing what's "top of mind" for customers helps identify common concerns, address issues when they occur and identify opportunities for service enhancements. Our companies continue to expand their social media capability.

Understanding customer concerns and preferences

Information obtained through all channels helps our employees understand customer needs, concerns and preferences. Customers expect us to be reliable, efficient, accessible, informative, proactive and flexible. They also expect to receive personalized service.

Research also has identified the interactions most important to customers. That information has helped focus efforts on improving customers' experiences during critical transactions.

Customers continue to express concerns about energy prices and the impact of price increases on their budgets. To address this concern, our companies work closely with customers to help them manage their energy use. Our companies also maintain tight cost controls on their business and continue to look for ways to improve efficiency and reduce operating costs.

Customer feedback also has indicated a desire for more communication on specific topics. Current topics of greatest interest to customers include safety, energy efficiency and company involvement in, and support for, the communities we serve. As a result, communication has been increased in these areas.

2015 customer satisfaction results

External customer satisfaction measures

Our companies continue to strive for positive results in national customer satisfaction studies conducted by external organizations. These studies provide a broader perspective because they typically include the general customer population, not just those who have had a recent transaction with their energy company. Study results are reviewed each time they are published to help benchmark our performance and guide the development of strategies and tactics to improve customer satisfaction and enable customer retention and expansion.

2015 customer satisfaction survey highlights

- Peoples Gas made large gains with business customers across all factors over the past year in a national study and was identified as a top national brand on eBill use and in-person customer service.
- We Energies ranked in the first quartile in the Midwest and second nationally in a major study.
- We Energies was identified in a national study as a top brand in "helpfulness of gas utility to prepare your business for a safety issue."
- We Energies ranked third in the nation in a TQS survey, up from fourth place in 2014. A total of 89.7 percent of customers were highly satisfied, up from 87.5 percent in 2014. Top-ranked, major factors impacting overall satisfaction of We Energies customers included reliability, efficiency, price and contact handling.
- Wisconsin Public Service improved across all factors in two national studies with their business customers.
- Wisconsin Public Service ranked fourth in the nation in a TQS survey, up from 10th place in 2014. A total of 88 percent of customers were highly satisfied, up from 79 percent in 2014. Top-ranked factors impacting overall satisfaction of Wisconsin Public Service customers included account manager performance and reliability.

The chart below shows quartile rankings for all of our participating companies in the most recent J.D. Power & Associates, TQS and E-Source Large Business Customer (industry consortium) studies.

Internal customer satisfaction measures

Customers' satisfaction is measured with both their utility overall and the specific transaction. Scores below represent the percentage of customers rating their satisfaction an 8, 9 or 10 on a 10-point scale.

Q4 2015 results

Company	Satisfaction with utility	Satisfaction with transaction
Michigan Gas Utilities	80.0%	83.7%
Minnesota Energy Resources	78.8%	84.6%
North Shore Gas	78.8%	86.6%
Peoples Gas	59.9%	72.3%
We Energies	81.4%*	90.1%*
Wisconsin Public Service	79.2%	85.5%

* Highest-ever score

2015 Quartile ranking by utility

<table>
<tr><th rowspan="4">Company</th><th colspan="8">J.D. Power & Associates Studies</th><th rowspan="3">2015 TQS</th><th rowspan="3">2015 E-Source Large Business</th></tr>
<tr><th colspan="4">2016 Business*</th><th colspan="4">2015 Residential</th></tr>
<tr><th colspan="2">Electric</th><th colspan="2">Natural gas</th><th colspan="2">Electric</th><th colspan="2">Natural gas</th></tr>
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*Data from 2016 studies was collected in 2015, but reported in early 2016.

Offering options

Customers have different needs and preferences, and having choices is important to them, which is why many billing and payment options are offered.

Billing

Customers can choose from a variety of billing options, which vary by energy company. Examples of options include:

- Receiving bills online at company websites or through participating bank websites
- Spreading energy charges more evenly over 12 months
- Choosing a convenient due date
- Seasonal billing
- Large-print billing
- Braille billing
- Paying a fixed amount for residential natural gas for 12 months regardless of weather or market price variations
- Participating in a renewable energy program
- Consolidating multiple accounts into one statement
- Naming a third party to be notified if an account becomes past due

Payment

Customers also can choose how to pay their bills:

- Online at our company websites or through participating bank websites
- Automatic bank account deductions
- Credit or debit card
- U.S. mail
- In person at authorized local payment centers

Managing energy use

Our energy companies focus on providing tools and assistance that help customers understand and manage their energy use. Company representatives always are available to consult with customers and provide energy-saving tips and suggestions over the phone. In addition, customers may be able to take advantage of other options. Programs vary from state to state and by customer class; however, examples of other resources available to customers include:

- Money-saving kits that include energy-saving products (e.g., LED nightlights, window film, faucet aerators) and tips on ways to reduce energy costs
- Online tools that help customers analyze their energy use and identify savings opportunities
- Videos on installing home weather-stripping, window insulation and more
- Time-of-Use rates that offer customers lower prices for electricity used during off-peak periods
- In-person home energy assessments

Our companies also work to connect customers with the energy-conservation resources, rebates, incentives and programs available in the states they serve.

Special services

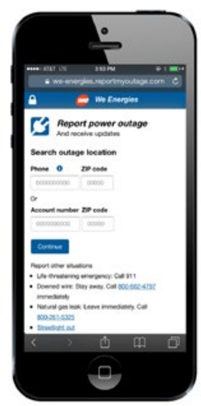
Payment arrangements. Difficult circumstances can arise that may prevent customers from paying their bills in full. Customers having problems paying their bills are encouraged to contact and work with our companies to keep their service connected.

Flexible payment arrangements based on each customer's individual situation are offered. Flexibility may be reflected in timelines, required down payment amounts and payment plan timeframes. Customers also are encouraged to apply for energy assistance and home weatherization, consider billing options and implement cost-saving and energy-efficiency tactics to reduce monthly costs. The goal is to work with customers and come to agreements that will keep their energy services connected.

Options for low-income customers. Low-income customers often face challenges in paying their energy bills, and our companies work collaboratively with government agencies and community-based organizations throughout their service areas to address needs of low-income customers. Our companies also make regular contributions to nonprofit organizations to help provide financial assistance to customers who need help paying their energy bills.

Leveraging technology

Our companies use technology in a variety of ways to enhance the customer experience, make it easier for customers to manage their energy services and reduce company costs. Examples include:



- Expanding web and mobile capabilities to help customers easily access company and account information, report outages, understand their energy use and take advantage of self-service options
- Automating inbound and outbound call and email management to reduce response times and efficiently route work
- Employing voice response technology to route calls efficiently and provide customers with self-service options
- Using automated meter-reading technologies to ensure timely and accurate billing
- Investing in automated metering infrastructure to provide customers with more usage-and demand-based billing and energy management options in the future
- Taking advantage of business process automation tools to streamline work and manage bill quality
- Applying data analytics to improve business processes, increase efficiency and reduce costs

A large project is underway to leverage both technology and process design to improve the customer experience and streamline costs. In 2016, a common customer information system, new phone and dispatch systems, and standardized processes are being implemented at Wisconsin Public Service, Minnesota Energy Resources and Michigan Gas Utilities. Implementation at Peoples Gas and North Shore Gas is scheduled for 2017, with implementation at We Energies to follow. Using common systems and processes across our companies reduces costs, provides greater flexibility and helps with design and consistent delivery of great service to customers.

Customer privacy

Our companies take privacy and protection of customer information seriously and have rigorous controls in place to ensure that customer information is protected and used appropriately.

- Information collected from customers is limited to only what is necessary to provide the service requested.
- Only authorized employees and organizations hired to provide services have access to customer information.
- Customer information housed in our systems is monitored.
- All employees with access to customer information are required to complete annual information protection training and certification.
- Contractors performing work on our companies' behalf must ensure that they understand and abide by their obligations to protect customer information.
- Customer information protection policies are strictly enforced.
- Customers' online account information is protected by secure sign-in features to prevent unauthorized access.
- Customer information is never shared without permission, unless required by law.

Business customers

Business customers rely on safe, reliable energy to keep their businesses running. While specific programs and services may vary across WEC Energy Group companies, one thing that holds true for all is a commitment to working closely with business customers to meet their unique needs.

The largest customers are served by account managers/executives, who work proactively as the primary point of contact to help manage their customers' energy-related needs. Annually, the account management staff works collaboratively with key customers to develop joint plans that outline energy-related goals, expectations and initiatives. In addition, they may:

- Identify strategic initiatives that benefit customers
- Work with customers to achieve their energy-related goals
- Provide rate and usage analyses and assist with transitions to new rates
- Provide personalized notification of rate filings and rate changes
- Coordinate service installations and upgrades
- Drive analysis and resolution of reliability/power quality issues
- Introduce emerging technologies and processes
- Issue targeted communication related to training and program offerings
- Facilitate solutions related to energy efficiency and sustainability
- Provide carbon footprint analyses
- Facilitate and/or participate in energy site assessments and customer energy teams
- Provide assistance with business expansions and serve as liaison with local economic development agencies

Other business customers are served through our companies' customer care centers, where they can get assistance with billing and credit questions, access services targeted to business customers, and receive recommendations on energy efficiency.

Additional services available to business customers vary by company. Some examples include:

Outage alerts

Alerts provide business customers with proactive, real-time communication about electric outages. Where available, customers can select their preferred communication channel(s) to receive status updates and other outage information.

Online tools

Online tools make it possible for business customers to analyze and manage their energy use. Where available, customers can:

- Receive monthly alerts of energy usage changes
- Access historical use and cost data and forecast forward-looking energy budgets
- Identify usage trends and patterns, and estimate cost impact of shifting electric demand and energy use
- Access an online library of energy-related topics to increase the energy efficiency of their operations

Energy consultations and incentives

Energy consultations and incentives are available for some business customers to help them reduce energy use, shrink their carbon footprint and make their workplace more comfortable.

Reliability

Natural gas reliability

Natural gas service is delivered reliably to residential and business customers through a network of underground pipes. Our natural gas distribution companies regularly monitor the pipes to ensure their integrity and follow a plan to upgrade aging equipment to ensure reliable service.

The prices our companies pay for natural gas are the prices passed along to their customers. To reduce the impact of natural gas price spikes, our companies buy natural gas when prices are low – usually in summer – and place it in storage. This stored gas is then blended with the natural gas that is price locked through contracts and with gas that is purchased on the spot market. This strategy ensures reliable service and less volatile prices throughout the year.

In addition to the steps taken to purchase and store gas at the lowest prices, our companies also help customers save money on their heating bills by providing efficiency tips on our websites. Our companies also provide information for customers who qualify for assistance through federal and state funding, such as the Wisconsin Home Energy Assistance Program, Illinois Low Income Home Energy Assistance Program, Minnesota Energy Assistance Program and Michigan Energy Assistance Program.

Electric reliability

In addition to great service, customers expect great reliability. Keeping the lights on and providing customers with as much information as possible during electric power outages are important to customer satisfaction.

That's why, when bad weather threatens, our electric energy companies mobilize to provide customers with proactive, accurate and consistent information about potential impacts on their electric service. Our companies want customers to know that the forecast is being monitored, taking into account available employees and contractors, and checking inventories for poles, wires and other equipment that may be needed.

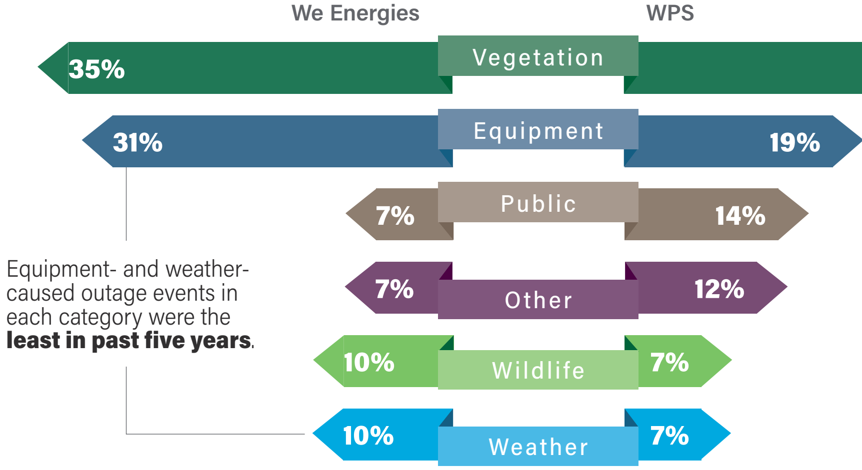
When outages occur, customers are provided regular updates on both their specific outage and the overall damage to our system. We also keep them up to date on our progress in restoring service. Messages are shared with customers through online outage maps, automated call handling equipment, care center agents, account managers and public and social media. Outbound calls also let customers know the reason for and status of their outage and confirm that their service has been restored.

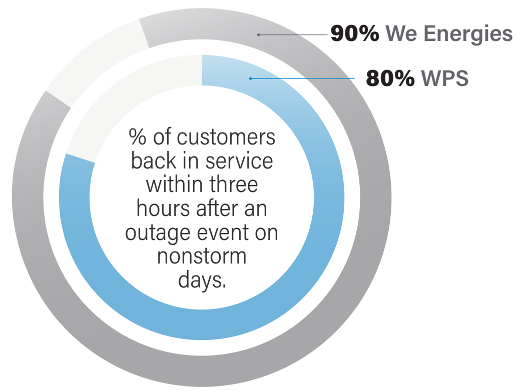
We Energies is proud to have earned PA Consulting's ReliabilityOne award for system reliability for the Midwest region in eight of the past 10 years.

Power outages

At WEC Energy Group companies, a key annual goal is to deliver world-class reliability to their customers. This includes achieving stretch targets for outage frequency and restoration times. The objective is to achieve indexes that are better than the target numbers.

2015 power outages by cause





Power outage statistics*

We Energies

Power outage frequency

SAIFI[1] – 0.68 interruptions

Average power outage duration

SAIDI[2] – 87 minutes

CAIDI[3] – 128 minutes

WPS

Power outage frequency

SAIFI[1] – 1.04 interruptions

Average power outage duration

SAIDI[2] – 120 minutes

CAIDI[3] – 115 minutes

* SAIFI, SAIDI and CAIDI values exclude extraordinary storms and transmission-related outages.

[1] SAIFI: System Average Interruption Frequency Index – A SAIFI of 1.0 means that, on average, a customer would experience one interruption in a year, while a SAIFI of 0.5 would equate to one interruption every two years.

[2] SAIDI: System Average Interruption Duration Index – A SAIDI of 50 minutes means that, on average, a customer would experience 50 minutes of interruption in a year.

[3] CAIDI: Customer Average Interruption Duration Index – A CAIDI of 100 minutes means that if a customer experiences an interruption, the average duration would be 100 minutes.

Customer events

Our energy companies are part of the fabric of the communities they serve. The communities also are where their employees work and live.

Here are a few examples of their community partnerships:

WPS Farm Show is a three-day event that Wisconsin Public Service has sponsored for more than five decades. The show provides an opportunity for the agricultural community to check out the latest farming equipment, machinery, tools and services. The event includes more than 500 exhibitors; seminars on farm management, including use of energy; and an auction to benefit the Future Farmers of America youth organization. This free event attracted more than 20,000 people in 2015.

WPS Garden of Lights is a winter holiday event that transforms the Green Bay Botanical Garden into a winter landscape featuring botanical light displays inspired by its natural features. The event in 2015 attracted more than 66,000 visitors of all ages from Wisconsin and beyond. More than 330 volunteers donated 2,465 hours to make the event a success. WPS sponsors this event in Green Bay through the NatureWise renewable energy program.

Blue Flame Lodge at the Minnesota State Fair showcases the latest in natural gas technologies and disseminates safety and energy efficiency information to thousands of fairgoers from all over the state and beyond. As a member of the Minnesota Blue Flame Gas Association, Minnesota Energy Resources sponsors the lodge as an opportunity to share educational displays and materials that educate the public on the benefits and savings of using natural gas and new natural gas technologies, including natural gas vehicles, fireplaces, grills, furnaces and more. Safety and heating assistance information also are available at the lodge.

Resource fairs organized by Peoples Gas and North Shore Gas in Illinois help customers who need assistance paying their heating bills. The Government and Community Relations team at Peoples Gas works with the Community Economic and Development Association (CEDA), human services agencies and other utilities to provide residents with a one-stop-shopping opportunity to get information on energy assistance and other resources. CEDA has taken hundreds of applications for energy assistance through the Low Income Home Energy Assistance Program (LIHEAP) and Share the Warmth program as a result of these events. In 2015, the companies teamed with congressional members to host five events throughout Chicago.

We Energies' Cookie Book has been a holiday season tradition for 87 years. The first Cookie Book was published in 1928, when company home economists initiated the practice as a goodwill gesture. Today, customers, stockholders and employees are invited to share their cookie recipes for a chance to be part of this tradition. Free copies of the books are made available at distribution events for customers throughout the company's service area. All of the recipes from past cookie books are available online. During the holiday season, employees on field appointments offer a wrapped cookie to customers.

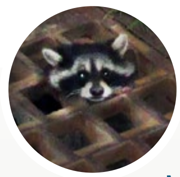
Energy Park at Wisconsin State Fair is an opportunity each August for We Energies employees to connect with customers in the company's permanent exhibit on the fairgrounds. Energy Park features energy-related performances, exhibits and demonstrations, staffed by employees. During the 11-day run of the fair, visitors can:

- Watch safety demonstrations and meet electric, natural gas and forestry workers while learning how to stay safe around electricity and natural gas
- See how energy is generated and delivered to homes and businesses through interactive exhibits
- Visit the Energy Park garden and listen to a horticulturist as she presents tips on environmentally friendly landscaping options
- Watch a safe cooking demonstration and receive a complimentary recipe book
- Learn about peregrine falcons and the company's nest boxes on power plant chimneys
- Get answers to questions about the company and pick up program and service information

Neighbors and friends serving neighbors and friends

Employees at our companies often demonstrate their care and concern in serving others as their friends and neighbors. A few examples:

» Packaging Corp. (PCA) of America Tomahawk Mill had a power failure on a mill power cable, leaving the entire mill complex without power. When the mill couldn't reach its regular electrical contractor to remedy the situation, it called the local Wisconsin Public Service (WPS) manager of customer service. Even though this was customer-owned equipment, WPS quickly mustered resources and the team worked throughout the night to restore power. **"This work was beyond the call of duty and sincerely appreciated by PCA and all the employees at PCA Tomahawk,"** noted the customer.



Two We Energies field employees came across an unusual sight in Milwaukee – a raccoon stuck in a sewer grate. They alerted their supervisor, who contacted the Wisconsin Humane Society. The Humane Society sent someone to rescue the little guy, nicknamed **"Walter the We Energies raccoon"** by the workers who found him.

» A gas lead utility employee in the We Energies Wautoma office was driving to work when he smelled something he is trained to recognize – mercaptan, an odorant added to natural gas. He was surprised the smell was so strong as he was traveling on a busy four-lane highway with his windows rolled up. He stopped his vehicle at the nearest property and began to investigate. **His sensor alerted him right away that there was a problem at the property.** He was able to determine that the home was vacant. He contacted his supervisor as well as the local authorities right away to report the home was filled with natural gas at dangerous levels. The employee and his coworkers were able to shut off the natural gas to the home quickly, while authorities vented the interior of the property.

» A We Energies troubleshooter and troubleshooter-in-training were returning to the Racine Service Center after a routine job, when they noticed something that wasn't quite routine. Black smoke was billowing in the air nearby. They headed toward the smoke and discovered a house fire. The home was just a half-mile from the Racine Service Center. Springing into action, they used garden hoses from neighboring houses to subdue the flames. The employee said the fire was attacking the fence and making its way up to the house. **"The quick thinking of the We Energies employees slowed the fire and prevented it from spreading to the attic,"** said the South Shore Fire Department division chief.

Demand-side management and energy efficiency programs

Many customers, including residential and business, want to take an active part in managing their use of energy, and our energy companies provide them with the tools and programs to achieve that goal.

Our electric energy companies offer a variety of time-of-use options through which customers can reduce their monthly bills by shifting some of their energy use to off-peak hours, the times of the day and night when energy demand and rates are less.

While these programs benefit residential customers, they also are attractive to small-business customers who have the flexibility to avoid energy use during the critical peak periods.

Through the Cool Credits program, Wisconsin Public Service (WPS) customers receive credits on their electric bills for allowing their air conditioning and/or electric water heater to be occasionally shut down for short periods. A small, remote-controlled switch is installed free-of-charge on the central air conditioner or electric water heater, or both. At times of extreme power demand, the air conditioner and/or water heater can be shut off or cycled on and off automatically by WPS to manage the demand on the system. This action does not interfere with the rest of the customer's electrical appliances.

Market based rates

Real-time market pricing (RTMP) and New Load Market Pricing (NLMP) present opportunities for new and existing We Energies and WPS general primary rate (commercial and industrial) customers to purchase a portion of their load at market prices. Customers on these rates/riders can increase their energy usage, with the risks and rewards of managing operations in a market environment. Using day-ahead prices, customers can strategically plan operations while maximizing the benefit of a market rate.

The parameters of these programs vary by company and participation is limited.

Energy efficiency: Customers take control of their energy use

Through a variety of energy efficiency programs, customers are taking control of their energy usage. In Illinois, our energy companies manage the Peoples Gas Natural Gas Saving Program and the North Shore Gas Natural Gas Saving Program. In Wisconsin and Michigan, Focus on Energy and Efficiency United, respectively, provide customers with rebates and incentives to reduce their energy usage. In Minnesota, our customers actively engage in the Minnesota Energy Resources Conservation Improvement Program, taking advantage of energy audits and analysis, new construction design assistance and rebates.

The energy-saving discounts and rebates vary by company and include rebates for furnaces, boilers, insulation or air sealing, and discounts for Energy Star-rates appliances and LED lighting.

Some customers also can participate in online energy audits to determine how they can make their home more energy efficient through no-cost or low-cost upgrades.

Our energy companies communicate these opportunities to use energy more efficiently via a number of vehicles. Some use bill messages and newsletters; others use those tools as well as social media.

These programs make an impact. Here are the numbers:

Aggregate of all WEC Energy Group utilities*	
Participating customers	340,241
First-year kWh savings **	373,484,976
First-year therm savings **	45,232,193
Rebates value earned by customers	$51,432,402

* We Energies, Wisconsin Public Service, Minnesota Energy Resources, Michigan Gas Utilities, Peoples Gas, North Shore Gas.

** First-year refers to the first, full-year savings achieved by the customer.
Note: Not all programs run on the same calendar year.

» **$51,432,402**
Saved by customers through energy efficiency rebates.

Public safety practices

Committed to keeping the public safe

WEC Energy Group's companies build and operate their networks of power lines and facilities with the safety of their employees and the public as their top priority.

An integrity-management program for natural gas transmission mains has been developed and implemented in accordance with local, state and federal regulations. High-consequence areas are identified, risk analysis completed annually, and assessment plans created. Physical assessment of transmission mains is done along with remediation as necessary.

Likewise, electric distribution lines are monitored for integrity through routine patrols, and a dedicated tree-trimming plan maintains adequate clearance around electric distribution wires and poles. Electric distribution infrastructure upgrades replace aging equipment according to a plan that ensures system safety and reliability.

Education and outreach

Our companies proactively share energy and safety information with a variety of audiences including children and teachers, contractors and first-responders.

Education programs for school children include classroom materials such as brochures, posters and other teacher workshop materials provided free to educators upon request.

For example, WPS offers the award-winning Path-to-Ground Electric Safety and Natural Gas Safety modules for middle school students. WPS also collaborates with the Einstein Science Expo in Green Bay, Wisconsin, to feature electric and natural gas safety at this annual family event. The company also partners with various agencies to promote Dam Safety Awareness Week in spring.

During the 11-day run of the annual Wisconsin State Fair, We Energies features electric and natural gas safety education for adults and children through a venue called Energy Park.

Contractors – those engaged in construction – are a key audience. Annually, our companies reach out to this audience to ensure they know how to work safely around energy facilities.

First-responders – public safety agencies, police and fire departments, rescue services, emergency government representatives and public officials – are another key audience. They need to know how to reach our companies and work with them during emergencies to ensure safety. The Wisconsin Public Service Foundation funds a grant for local emergency response organizations through which dollars are used for equipment, projects or professional development as part of a public safety initiative.

State laws mandate the use of a one call system in which customers and contractors must call to have underground facilities marked before they dig. This ensures their safety as well as the integrity of energy distribution systems.

During storms and other events, our companies use traditional channels and social media to warn customers about the dangers associated with downed wires or ruptured natural gas mains.

Agriculture services and safety

We Energies and WPS have well-established Agriculture Services programs. Employees work closely with farm customers on issues of wiring safety, efficiency and reliability. Livestock confinement facilities often receive additional attention because of the possibility of stray voltage from farm and/or company sources.

Stray voltage is a general term used to describe low-level voltages found on metal surfaces with which livestock may come into contact. Trained technicians perform cost-free stray voltage investigations and have helped hundreds of agricultural customers identify farm wiring deficiencies and eliminate unacceptable stray voltage sources. This effort has resulted in safer and more efficient farm wiring.

Additionally, We Energies and WPS representatives participate on the Midwest Rural Energy Council. We Energies also participates in the Wisconsin Utilities Association Stray Voltage and Electrical Exposure Committee, Institute of Electrical and Electronics Engineers Working Group on Stray and Contact Voltage, and University of Wisconsin Stray Voltage Investigator Training Series.

Supporting communities served by our companies

Our companies provide financial support for nonprofit, tax-exempt organizations in the communities we serve. Our focus areas are: arts and culture, community and neighborhood development, education, environmental, and human services and health. Company employees also take an active role in their communities, serving on nonprofit boards and volunteering their time.

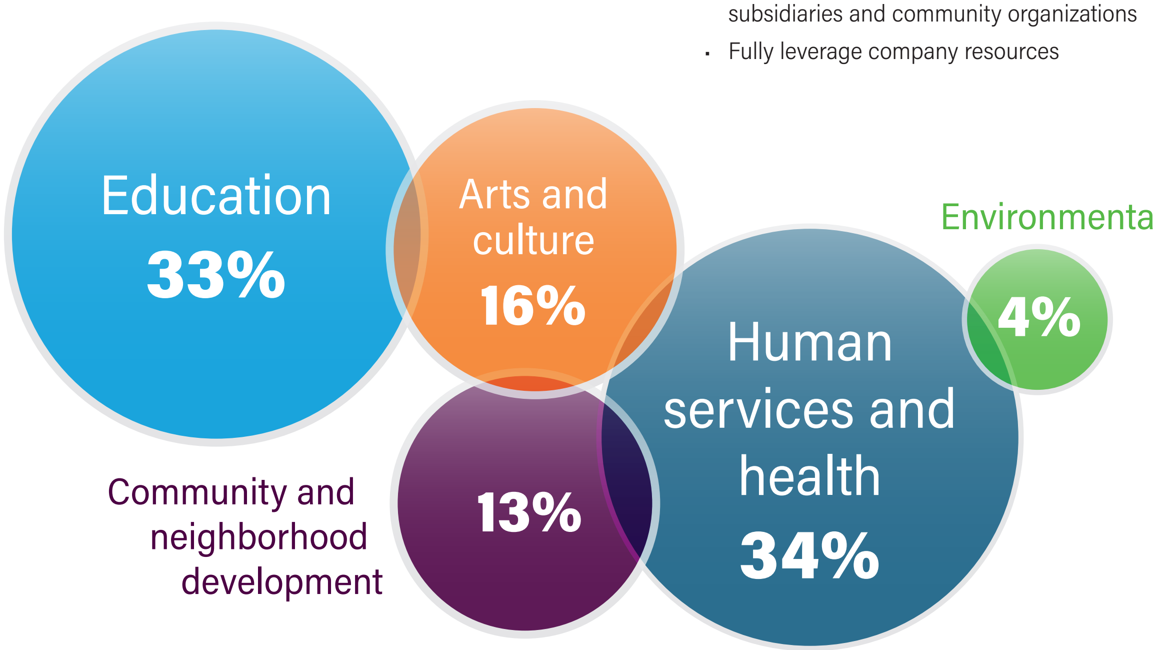
Workplace giving campaigns in our subsidiary companies also support the arts and numerous United Ways where we operate.

Funding through foundations, operations

We Energies and Wisconsin Public Service each operate foundations. The Wisconsin Public Service Foundation supports Wisconsin Public Service, Minnesota Energy Resources and Michigan Gas Utilities. Peoples Gas and North Shore Gas have a corporate contributions program which supports nonprofits in the same manner.

The goals of charitable outreach are to:

- Pursue a sustained, consistent approach to funding within the focus areas, better enabling the organizations to achieve lasting results
- Foster mutually beneficial relationships between our subsidiaries and community organizations
- Fully leverage company resources



2015 charitable contributions

	Michigan Gas Utilities	Minnesota Energy Resources	North Shore Gas	Peoples Gas	We Energies	Wisconsin Public Service
Arts and culture	3%	9%	—	4%	22%	8%
Community and neighborhood development	45%	62%	18%	22%	36%	25%
Education	23%	9%	11%	26%	39%	22%
Environmental	1%	—	14%	4%	3%	5%
Human services and health	28%	20%	57%	44%	—	40%

2015 support examples

Supporting veterans – Helping U.S. military veterans has been a focus of the We Energies Foundation since 2008 when it sponsored the inaugural Wisconsin Stars and Stripes Honor Flight of 70 veterans. Since that time, the foundation has supported this veterans' organization through multiple activities. In 2015, it sponsored the Sept. 15 Operation Parallel Honor Flight, which transported Korean War veterans to Washington, D.C.

Helping scouts – We Energies hosted its 62nd annual Boy Scout Electricity Merit Badge Clinic. The company has hosted the clinics for more than six decades, dating to 1954. More than 60 scouts attended the clinic, completing 11 requirements, from building electromagnets to wiring a basic circuit, to earn their electricity merit badges. Scouts also had to pass a written test covering basic electrical principles and safety. Nearly two dozen We Energies employees volunteered their time to help the scouts.

Assisting Habitat for Humanity – We Energies sponsored construction and employees rolled up their sleeves to help build a home for a Milwaukee family.

Creating beauty – The Robert W. Monk Gardens are northern Wisconsin's first public botanical gardens. Wisconsin Public Service employees and retirees teamed with Coca-Cola employees to clean up the gardens and prepare them for fall. The Wisconsin Public Service Foundation also supported the effort with a financial gift for the 20-acre property.

Supporting higher education – Michigan Gas Utilities (MGU) and the Wisconsin Public Service Foundation awarded $10,500 to Lake Michigan Community College for the college's capital campaign to construct a new building. The college will name a room in the new building in recognition of MGU's support.

Supporting first responders – Minnesota Energy Resources, through the Wisconsin Public Service Foundation, awarded $10,000 to first responders in its service area as part of the foundation's "Safety: It's Worth the Energy" grant opportunity. More than 60 area first-response agencies applied for funding, which must be used to purchase equipment and provide professional development for a public safety initiative. The 2015 recipient organizations included Eagan Fire Department, Zumbrota Volunteer Fire Department, Canby Fire Department, Detroit Lakes Fire Department, Grand Rapids Police Department and Willow River Fire Department.

Participating in Arbor Day – Minnesota Energy Resources partners with Rochester Public Utilities and other community organizations to promote Arbor Day with the schools in Rochester. Backpacks, provided by Minnesota Energy Resources, are distributed during the event.

Helping students save energy – Teachers, students and parents in Illinois participate in SuperSavers, an energy education program offered by Peoples Gas and North Shore Gas in K-8 schools. More than 10,500 students have participated to date. The program provides classroom materials and take-home kits, including a DVD and hands-on activities to involve family members.

In addition, the 2015 Peoples Gas Youth Ambassador program, an After School Matters summer science and community outreach effort, helped 50 high school teens learn about natural gas, infrastructure improvements and energy efficiency. These students also acted as ambassadors at community outreach events in two construction areas.

Lending a hand at Boys & Girls Clubs of Chicago – Peoples Gas and North Shore Gas employees and students from Chicago Public Schools volunteered at the Boys & Girls Clubs of Chicago's Louis L. Valentine Club, to give back to the Bridgeport community as part of the company's 18th annual "Commitment to Community" day in April. Infrastructure and engineering experts from Peoples Gas provided expertise in refurbishing the club's interior spaces, which provide a safe and welcoming place for 1,200 members to make new friends, develop new interests and participate in activities. Volunteers also built coat racks and cubbies in the hallway, assembled heavy-duty shelving in the gym, built and installed new vanities in locker rooms, and painted doors and walls.

Supporting YWCA and Women's Business – North Shore Gas supports the YWCA Lake County and the Women's Business Development Center's "Plan for Profit," an extensive entrepreneurial training workshop for women, veterans and minority small businesses. Three workshops are presented in English and Spanish. This unique collaboration assists entrepreneurs in establishing and growing sustainable small businesses that create jobs, fuel economic growth and build strong communities.

Political activities

WEC Energy Group (WEC) advocates on behalf of its utility customers, stockholders and employees for safe, reliable and affordable energy before local, state and federal elected officials and government agencies. WEC maintains governmental and regulatory relations offices in Chicago, Illinois; Madison, Wisconsin; Lansing, Michigan; and Washington, D.C. The company also hires contract lobbyists and works with trade organizations to assist in advocacy activities. WEC's lobbyists are lawfully registered in each jurisdiction where they perform services for us.

WEC has several political action committees (PACs). WEC PACs are registered with their regulating governments (state or federal) and authorized by elections laws to collect voluntary contributions from employees who choose to participate. The money, in turn, is used to support candidates running for federal, state and local offices. Contribution amounts are limited by law. All WEC PACs are administered by a committee that combines appointed and elected members. Oversight committees make decisions on how and where dollars are spent. WEC has a corporate policy on political contributions and reporting, and periodically conducts training on compliance with lobbying laws.

Corporate political donations

WEC's Political Contributions Policy governs contributions to organizations operating under Section 527 of the Internal Revenue Code and organizations that qualify as national political committees.

No corporate donations of this nature were made during 2015.

Political action disbursements

Organization	2015	2014	2013	2012	2011
WEC Political Action Committee (WEPAC – a federal PAC)	$ 27,500	$ 28,000	$ 28,750	$ 36,250	$ 32,250
WEC PAC Better Government Committee (BGC – a state PAC)	30,500	45,100	26,000	23,100	26,950
WEC PAC Personal Contribution Account (PCA Conduit – a state PAC)	35,037	64,998	19,189	90,891	40,914
Michigan Political Action Committee (MIPAC – a state PAC)	-	18,000	3,275	6,950	150
Peoples Gas Political Action Committee (Peoples Gas PAC – a state PAC)	44,500	47,150	57,989	51,720	38,525
Total	$ 137,537	$ 203,248	$ 135,203	$ 208,911	$ 138,789

For an up-to-date list of WEPAC Wisconsin contributions, search on "WI Energy PAC" at: http://cfis.wi.gov/Public/Registration.aspx?page=FiledReports.
For an up-to-date list of WEC conduits, search on "WI Energy PCA" at: http://cfis.wi.gov/Public/Registration.aspx?page=ViewConduitContributions.
For a list of WEC PAC federal contributions, search for "Wisconsin Energy Political Action Committee" at: www.fec.gov/finance/disclosure/norcomsea.shtml.

WEC lobbying activities and expenditures

State and federal lobbying	2015*	2014	2013	2012	2011
Hours	3,122	2,349	2,679	2,529	2,824
Expenditures	$ 1,548,054	$ 953,690	$ 1,097,561	$ 1,080,724	$ 1,088,225

*2015 includes amounts for Wisconsin, Michigan, Illinois, Minnesota and federal.

WEC Energy Group files federal quarterly lobbying reports and semiannual contribution reports with the clerk of the U.S. House of Representatives and the secretary of the U.S. Senate. These reports can be located at: house.gov and senate.gov.

Reports for WEC Energy Group's Wisconsin and Michigan political lobbying activities are available at: Wisconsin Government Accountability Board and Michigan Department of State.

Trade organization memberships

Organization	Membership dues Jan. 1, 2015 through Dec. 31, 2015	Portion of dues used by organization for political purposes
American Gas Association	$ 372,257	$ 18,612
American Gas Association – Gas Distributors Exchange	1,200	1,200
Chicago Chamber of Commerce	19,965	1,815
Edison Electric Institute	872,059	173,412
Illinois Chamber of Commerce/Energy Council	12,500	1,875
Illinois Energy Association	35,000	5,250
Illinois Manufacturers' Association	12,500	1,875
Metropolitan Milwaukee Association of Commerce	166,028	3,321
Michigan Electric and Gas Association	24,370	de minimus
Michigan Manufacturers Association	4,930	4,930
Wisconsin Manufacturers and Commerce	28,536	2,854
Wisconsin Utilities Association	253,690	38,053
Wisconsin Utility Investors	106,567	5,328

WEC Energy Group belongs to trade organizations that engage in political activities. Such organizations are required to report the portion of company dues used for political purposes.

Public policy positions

✔ **Support** ✖ **Oppose** ➜ **Concerns/working to improve** ♦ **Monitor/no legislative action taken to date**

Bill Reference (Federal)	Position
Cyber Security – Information Sharing Proposes a model for sharing cyber threat information between the federal government and private industry.	✔
Coal Ash Legislation (H.R.1734) Establishes national standards for state programs to manage coal combustion products and preserves beneficial reuse programs.	✔
Comprehensive Energy Bill (H.R.8, S.2012) The legislation addresses a range of energy issues including grid reliability, energy infrastructure, grid security, hydropower relicensing, workforce development, strategic transformer reserve, and the Department of Energy (DOE) furnace rule.	➜
Environmental and Grid Reliability (H.R.1558, S.848) Clarifies that electric generators required to operate to comply with DOE emergency orders are not liable for environmental violations resulting from those emergency operations.	✔
Low Income Home Energy Assistance Program (LIHEAP) Maintains appropriate funding level for LIHEAP.	✔
Rail Shipper Fairness Act (S.853) / STB Reform Implements changes to the STB to address rail shipper concerns.	✔

Legislative Bills/Resolutions (Wisconsin)	Position
Assembly Bill 122 Exempting certain vehicles of utilities from class B highway weight limitations and certain special or seasonal weight limitations.	✔
Assembly Bill 204 Repealing an air pollution rule promulgated by the Department of Natural Resources.	✔
Assembly Bill 251 Various changes regarding administrative rules and rule-making procedures; time limits for emergency rules; and making an appropriation.	✔
Assembly Bill 319 Conveying interests in local government land for construction of natural gas lines.	✔
Assembly Bill 335 Utility aid payments for decommissioned or closed production plants.	✔
Assembly Bill 384 Requirements for approval of construction of nuclear power plants and changes to the state's energy priorities policy.	✔
Assembly Bill 405 Exemptions from certain taxes and other requirements for work performed by persons from outside the state during a state of emergency declared by the governor.	✔
Assembly Bill 547 Trespass and damage to property owned or used by an energy provider and providing a criminal penalty.	✔
Assembly Bill 560 Disconnection devices for distributed generation facilities.	✔
Assembly Bill 582 Government actions affecting rights to real property; regulation of shoreland zoning; substitution of hearing examiners in contested cases; and property tax treatment of unoccupied property.	✔
Assembly Bill 600 The regulation of navigable waters and wetlands.	✔
Assembly Bill 701 Action required to be taken in response to a discharge of hazardous substances, exemption from liability for certain hazardous substance discharges, providing an exemption from emergency rule procedures, and granting rule-making authority.	✔
Assembly Bill 804 One-call system violations; sulfur dioxide compliance plans; assessment authority of the Public Service Commission of Wisconsin; funding for statewide energy efficiency and renewable resource programs; public utility contracts with affiliated interests; local access and transport areas for telephone service; railroad telecommunications service; Department of Natural Resources permit application procedures related to the construction of a high-voltage transmission line; navigable water general permits and individual permits related to utility facilities; granting rule-making authority; and making an appropriation.	✔
Senate Bill 80 Exempting certain vehicles of utilities from class B highway weight limitations and certain special or seasonal weight limitations.	✔
Senate Bill 135 The use of a cellular or other wireless telephone while driving a moving vehicle in a construction zone and providing a penalty.	✔
Senate Bill 144 Repealing an air pollution rule promulgated by the Department of Natural Resources.	✔
Senate Bill 231 Conveying interests in local government land for construction of natural gas lines.	✔
Senate Bill 252 Utility aid payments for decommissioned or closed production plants.	✔
Senate Bill 288 Requirements for approval of construction of nuclear power plants and changes to the state's energy priorities policy.	✔

Senate Bill 459 The regulation of navigable waters and wetlands.	✔
Senate Bill 464 Government actions affecting rights to real property; the regulation of shoreland zoning; the substitution of hearing examiners in contested cases; and the property tax treatment of unoccupied property.	✔
Senate Bill 545 Action required to be taken in response to a discharge of hazardous substances, exemption from liability for certain hazardous substance discharges, providing an exemption from emergency rule procedures, and granting rule-making authority.	✔
Senate Bill 654 One-call system violations; sulfur dioxide compliance plans; assessment authority of the Public Service Commission of Wisconsin; funding for statewide energy efficiency and renewable resource programs; public utility contracts with affiliated interests; local access and transport areas for telephone service; railroad telecommunications service; Department of Natural Resources permit application procedures related to the construction of a high-voltage transmission line; navigable water general permits and individual permits related to utility facilities; granting rule-making authority; and making an appropriation.	✔

Legislative Bills/Resolutions (Illinois)	**Position**
House Bill 2607 Proposed by the Clean Jobs Coalition, legislation increases the current renewable portfolio standard (RPS), increased energy efficiency goals, and created a cap and invest or cap and trade program.	♦
House Bill 3293 Proposed by Exelon, legislation seeks to create a new clean carbon portfolio standard that would require utilities to purchase a certain amount of clean carbon energy such as nuclear, clean coal and renewables.	♦
House Bill 3328 ComEd's proposed "Smart Plan for Illinois' Energy Future" would modernize electric utility regulations in the state to enhance opportunities for energy efficiency, solar energy, electric cars and demand response programs.	♦
Senate Bill 547 Allows the City of Chicago to enforce Digger/Chicago Utility Alert Network requirements and to levy fines for violations.	♦
Senate Bill 1485 Proposed by the Clean Jobs Coalition, legislation increases the current renewable portfolio standard (RPS), increased energy efficiency goals, and created a cap and invest or cap and trade program.	♦
Senate Bill 1585 Proposed by Exelon, legislation seeks to create a new clean carbon portfolio standard that would require utilities to purchase a certain amount of clean carbon energy such as nuclear, clean coal and renewables.	♦
Senate Bill 1645 Requires that Illinois utility companies waive, for 60 days, all deposits or credit requirements for a residential customer or applicant who is the victim of domestic violence.	♦
Senate Bill 1879 ComEd's proposed "Smart Plan for Illinois' Energy Future" would modernize electric utility regulations in the state to enhance opportunities for energy efficiency, solar energy, electric cars and demand response programs.	♦
Senate Bill 2039 Gives the Illinois Department of Commerce and Economic Opportunity (DCEO) appropriation authority to spend Illinois State Supplemental LIHEAP funds.	✔
Senate Bill 2042 Gives the Illinois Department of Commerce and Economic Opportunity (DCEO) appropriation authority to spend federal LIHEAP money.	✔

* WEC did not have public policy positions in Michigan or Minnesota.

Key Challenges and Risks

We are subject to a variety of risks – many of which are beyond our control – that may adversely affect our business, financial condition and results of operations. You should carefully consider the following risk factors, as well as the other information included in this report and other documents filed by us with the Securities and Exchange Commission (SEC) from time to time, when making an investment decision.

Risks related to legislation and regulation

Our business is significantly impacted by governmental regulation. We are subject to significant state, local and federal governmental regulation, including regulation by the various utility commissions in the states where we serve customers. This regulation significantly influences our operating environment and may affect our ability to recover costs from utility customers. Many aspects of our operations are regulated, including, but not limited to: the rates we charge our retail electric, natural gas and steam customers; wholesale power service practices; electric reliability requirements and accounting; participation in the interstate natural gas pipeline capacity market; standards of service; issuance of securities; short-term debt obligations; construction and operation of facilities; transactions with affiliates; and billing practices. Our significant level of regulation imposes restrictions on our operations and causes us to incur substantial compliance costs. Failure to comply with any applicable rules or regulations may lead to customer refunds, penalties and other payments, which could materially and adversely affect our results of operations and financial condition.

The rates we are allowed to charge our customers for retail and wholesale services, including adjustments determined under riders, have the most significant impact on our financial condition, results of operations and liquidity. Rate regulation is based on providing an opportunity to recover prudently incurred costs and earn a reasonable rate of return on invested capital. However, our ability to obtain rate adjustments in the future is dependent on regulatory action, and there is no assurance that our regulators will consider all of our costs to have been prudently incurred. In addition, our rate proceedings may not always result in rates that fully recover our costs or provide for a reasonable rate of return. We defer certain costs and revenues as regulatory assets and liabilities for future recovery or refund to customers, as authorized by our regulators. Future recovery of regulatory assets is not ensured, and is subject to review and approval by our regulators. If recovery of regulatory assets is not approved or is no longer deemed probable, these costs would be recognized in current period expense and could have a material adverse impact on our results of operations, cash flows and financial condition.

We believe we have obtained the necessary permits, approvals, authorizations, certificates and licenses for our existing operations; have complied with all of their associated terms; and our businesses are conducted in accordance with applicable laws. These permits, approvals, authorizations, certificates and licenses may be revoked or modified by the agencies that granted them if facts develop that differ significantly from the facts assumed when they were issued. In addition, discharge permits and other approvals and licenses are often granted for a term that is less than the expected life of the associated facility. Licenses and permits may require periodic renewal, which may result in additional requirements being imposed by the granting agency. In addition, existing regulations may be revised or reinterpreted by federal, state and local agencies, or these agencies may adopt new laws and regulations that apply to us. We cannot predict the impact on our business and operating results of any such actions by these agencies. Changes in regulations, interpretations of regulations or the imposition of new regulations could influence our operating environment, may result in substantial compliance costs or may require us to change our business operations.

If we are unable to obtain, renew or comply with these governmental permits, approvals, authorizations, certificates or licenses, or if we are unable to recover any increased costs of complying with additional requirements or any other associated costs in customer rates in a timely manner, our results of operations and financial condition could be materially and adversely affected.

We may face significant costs to comply with existing and future environmental laws and regulations. Our operations are subject to numerous federal and state environmental laws and regulations. These laws and regulations govern, among other things, air emissions (including CO_2, methane, mercury, SO_2, and NO_x), water quality, wastewater discharges, and management of hazardous, toxic, and solid wastes and substances. We incur significant costs to comply with these environmental requirements, including costs associated with the installation of pollution-control equipment, environmental monitoring, emissions fees and permits at our facilities. In addition, if we fail to comply with environmental laws and regulations, even if caused by factors beyond our control, that failure may result in the assessment of civil or criminal penalties and fines.

The U.S. Environmental Protection Agency (EPA) has adopted and has implemented (or is in the process of implementing) regulations governing the emission of NO_x, SO_2, fine particulate matter, mercury and other air pollutants under the Clean Air Act through the National Ambient Air Quality Standards, the Mercury and Air Toxics Standards rule, the Clean Power Plan (CPP), the Cross-State Air Pollution Rule, and other air quality regulations. In addition, the EPA has finalized regulations under the Clean Water Act that govern cooling-water intake structures at our power plants and revised the effluent guidelines for steam electric generating plants. The EPA also has adopted a final rule that would expand traditional federal jurisdiction over navigable waters and related wetlands for permitting and other regulatory matters; however, this rule has been stayed. We continue to assess the potential cost of complying, and explore different alternatives in order to comply, with these and other environmental regulations. Several environmental regulations were either finalized or implemented during 2015, and there is still uncertainty as to what capital expenditures or additional costs may ultimately be required to comply with these regulations.

Existing environmental laws and regulations may be revised or new laws or regulations may be adopted at the federal or state level that could result in significant additional expenditures for our generation units or distribution systems, including, without limitation, costs to further limit greenhouse gas emissions from our operations through emission control technology; operating restrictions on our facilities; and increased compliance costs. In addition, the operation of emission control equipment and compliance with rules regulating our intake and discharge of water could increase our operating costs and reduce the generating capacity of our power plants. Any such regulation may also create substantial additional costs in the form of taxes or emission allowances and could affect the availability and/or cost of fossil fuels.

As a result, certain of our coal-fueled electric generating facilities may become uneconomical to maintain and operate, which could result in some of these units being retired or converted to an alternative type of fuel. If generation facility owners in the Midwest, including us, are forced to retire a significant number of older coal-fueled generation facilities, a potential reduction in the region's capacity reserve margin below acceptable risk levels may result. This could impair the reliability of the grid in the Midwest, particularly during peak demand periods. A reduction in available future capacity could also adversely affect our ability to serve our customers' needs.

Our electric and natural gas utilities also are subject to significant liabilities related to the investigation and remediation of environmental impacts at certain of our current and former facilities, and at third-party owned sites. We accrue liabilities and defer costs (recorded as regulatory assets) incurred in connection with our former manufactured gas plant sites. These costs include all costs incurred to date that we expect to recover, management's best estimates of future costs for investigation and remediation, and related legal expenses, and are net of amounts recovered by or that may be recovered from insurance or other third parties. Due to the potential for imposition of stricter standards and greater regulation in the future, as well as the possibility that other potentially responsible parties may not be financially able to contribute to cleanup costs, conditions may change or additional contamination may be discovered, our remediation costs could increase, and the timing of our capital and/or operating expenditures in the future may accelerate or could vary from the amounts currently accrued.

If we are not able to recover all of our environmental expenditures and related costs from our customers in the future, our results of operations and financial condition could be adversely affected. Further, increased costs recovered through rates could contribute to reduced demand for electricity, which could adversely affect our results of operations, cash flows and financial condition.

Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance and citizen enforcement of environmental requirements, has increased generally throughout the U.S. In particular, personal injury, property damage and other claims for damages alleged to have been caused by environmental impacts and alleged exposure to hazardous materials have become more frequent. In addition to claims relating to our current facilities, we also may be subject to potential liability in connection with the environmental condition of facilities that we previously owned and operated, regardless of whether the liabilities arose before, during or after the time we owned or operated these facilities. If we fail to comply with environmental laws and regulations or cause (or caused) harm to the environment or persons, that failure or harm may result in the assessment of civil penalties and damages against us. The incurrence of a material environmental liability or a material judgment in any action for personal injury or property damage related to environmental matters could have a significant adverse effect on our results of operations and financial condition.

We may face significant costs to comply with the regulation of greenhouse gas (GHG) emissions. Federal, state, regional and international authorities have undertaken efforts to limit GHG emissions. In 2015, the EPA issued the CPP, which is a final rule that regulates GHG emissions from existing generating units, as well as a proposed federal plan as an alternative to state compliance plans. The EPA also issued final performance standards for modified and reconstructed generating units, as well as for new fossil-fueled power plants.

If Wisconsin or Michigan determines not to file a state compliance plan, we may be required to comply with the federal plan, which could result in more significant compliance costs than a state compliance plan. Our companies are meeting with various stakeholders to discuss and model several options and identify those that could minimize impacts on reliability and customers.

In October 2015, numerous states (including Wisconsin and Michigan), trade associations and private 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 U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court of Appeals) denied the stay request, but on Feb. 9, 2016, the U.S. Supreme Court (Supreme Court) stayed the effectiveness of the rule until disposition of the litigation in the D.C. Circuit Court of Appeals and to the extent that review is sought, at the Supreme Court. Therefore, it is unlikely that states will move forward on the development of the state plans until the litigation is complete. Any state or federal compliance plans that are developed could be subject to change based upon the outcome of this litigation. In addition, on Feb. 15, 2016, the governor of Wisconsin issued Executive Order 186, which prohibits state agencies, departments, boards, commissions or other state entities from developing or promoting the development of a state plan. The rule could result in significant additional compliance costs, including capital expenditures, and impact how we operate our existing fossil-fueled power plants and biomass facility, all of which could have a material adverse impact on our operating costs.

There is no guarantee that we will be allowed to fully recover costs incurred to comply with the CPP or that cost recovery will not be delayed or otherwise conditioned. The CPP and any other related regulations that may be adopted in the future, either at the federal or state level, may cause our environmental compliance spending over the next several years to differ materially from the amounts currently estimated. These regulations could have a material adverse impact on our electric generation and natural gas distribution operations, could make some of our electric generating units uneconomic to maintain or operate, and could affect unit retirement and replacement decisions. These regulations could also adversely affect our future results of operations, cash flows, and financial condition.

In addition, our natural gas delivery systems may generate fugitive gas as a result of normal operations and as a result of excavation, construction and repair of natural gas delivery systems. Fugitive gas typically vents to the atmosphere and consists primarily of methane. CO_2 also is a byproduct of natural gas consumption. As a result, future legislation to regulate GHG emissions could increase the price of natural gas, restrict the use of natural gas, and adversely affect our ability to operate our natural gas facilities. A significant increase in the price of natural gas may increase rates for our natural gas customers, which could reduce natural gas demand.

Our electric utilities could be subject to higher costs and penalties as a result of mandatory reliability standards. Our electric utilities are subject to mandatory reliability and critical infrastructure protection standards established by the North American Electric Reliability Corp. and enforced by the Federal Energy Regulatory Commission (FERC). The critical infrastructure protection standards focus on controlling access to critical physical and cyber security assets. Compliance with the mandatory reliability standards could subject our electric utilities to higher operating costs. If our electric utilities were ever found to be in noncompliance with the mandatory reliability standards, they could be subject to sanctions, including substantial monetary penalties.

Provisions of the Wisconsin Utility Holding Company Act limit our ability to invest in nonutility businesses and could deter takeover attempts by a potential purchaser of our common stock that would be willing to pay a premium for our common stock. Under the Wisconsin Utility Holding Company Act, we remain subject to certain restrictions that have the potential of limiting our diversification into nonutility businesses. Under the act, the sum of certain assets of all nonutility affiliates in a holding company system generally may not exceed 25 percent of the assets of all public utility affiliates in the system, subject to certain exceptions.

In addition, the act precludes the acquisition of 10 percent or more of the voting shares of a holding company of a Wisconsin public utility unless the Public Service Commission of Wisconsin has first determined that the acquisition is in the best interests of utility customers, investors and public. This provision and other requirements of the act may delay or reduce the likelihood of a sale or change of control of WEC Energy Group. As a result, stockholders may be deprived of opportunities to sell some or all of their shares of our common stock at prices that represent a premium over market prices.

Risks related to the operation of our business

Our operations are subject to risks arising from the reliability of our electric generation, transmission and distribution facilities, natural gas infrastructure facilities, and other facilities, as well as the reliability of third-party transmission providers. Our financial performance depends on the successful operation of our electric generation and natural gas and electric distribution facilities. The operation of these facilities involves many risks, including operator error and the breakdown or failure of equipment or processes. Potential breakdown or failure may occur due to severe weather; catastrophic events (i.e., fires, earthquakes, explosions, tornadoes, floods, droughts, pandemic health events, etc.); significant changes in water levels in waterways; fuel supply or transportation disruptions; accidents; employee labor disputes; construction delays or cost overruns; shortages of or delays in obtaining equipment, material and/or labor; performance below expected levels; operating limitations that may be imposed by environmental or other regulatory requirements; terrorist attacks; or cyber security threats. Any of these events could lead to substantial financial losses.

Because our electric generation facilities are interconnected with third-party transmission facilities, the operation of our facilities also could be adversely affected by events impacting their systems. Unplanned outages at our power plants may reduce our revenues or cause us to incur significant costs if we are required to operate our higher-cost electric generators or purchase replacement power to satisfy our obligations, and could result in additional maintenance expenses.

Insurance, warranties, performance guarantees or recovery through the regulatory process may not cover any or all of these lost revenues or increased expenses, which could adversely affect our results of operations and cash flows.

Our operations are subject to various conditions that can result in fluctuations in energy sales to customers, including customer growth and general economic conditions in our service areas, varying weather conditions and energy conservation efforts. Our results of operations and cash flows are affected by the demand for electricity and natural gas, which can vary greatly based upon:

- *Fluctuations in customer growth and general economic conditions in our service areas.* Customer growth and energy use can be negatively impacted by population declines as well as economic factors in our service territories, including job losses, decreases in income and business closings. Our electric and natural gas utilities are impacted by economic cycles and the competitiveness of the commercial and industrial customers we serve. Any economic downturn or disruption of financial markets could adversely affect the financial condition of our customers and demand for their products. These risks could directly influence the demand for electricity and natural gas as well as the need for additional power generation and generating facilities. We also could be exposed to greater risks of accounts receivable write-offs if customers are unable to pay their bills.

- *Weather conditions.* Electricity demand is greater in the summer and winter months associated with cooling and heating. In addition, natural gas demand peaks in the winter heating season. As a result, our overall results fluctuate seasonally. In addition, milder temperatures during the summer cooling season and during the winter heating season may decrease revenues and net income.
- *Our customers' continued focus on energy conservation and ability to meet their own energy needs.* Customers could voluntarily reduce their consumption of energy in response to decreases in their disposable income, increases in energy prices and individual conservation efforts through the use of more energy-efficient technologies. Conservation of energy can be influenced by certain federal and state programs that are intended to influence how consumers use energy. In addition, several states, including Wisconsin and Michigan, have adopted energy efficiency targets to reduce energy consumption by certain dates.

As part of our planning process, we estimate the impacts of changes in customer growth and general economic conditions, weather and customer energy conservation efforts, but risks still remain. Any of these matters, as well as any regulatory delay in adjusting rates as a result of reduced sales from effective conservation measures or the adoption of new technologies, could adversely impact our results of operations and financial condition.

We are involved with several significant capital projects, which are subject to a number of risks and uncertainties that could adversely affect project costs and completion of construction projects. Our energy businesses require substantial capital expenditures for investments in, among other things, capital improvements to electric generating facilities, electric and natural gas distribution infrastructure, natural gas storage, and other projects, including projects for environmental compliance. In addition, WEC Business Services, LLC has various capital projects that are primarily related to the development of software applications used to support our utilities.

Achieving the intended benefits of any large construction project is subject to many uncertainties, some of which we will have limited or no control over, that could adversely affect project costs and completion time. These risks include, but are not limited to, the ability to adhere to established budgets and time frames; the availability of labor or materials at estimated costs; the ability of contractors to perform under their contracts; strikes; adverse weather conditions; potential legal challenges; changes in applicable laws or regulations; other governmental actions; continued public and policymaker support for such projects; and events in the global economy. In addition, certain of these projects require the approval of our regulators. If construction of commission-approved projects should materially and adversely deviate from the schedules, estimates and projections on which the approval was based, the applicable commission may deem the additional capital costs as imprudent and disallow recovery of them through rates.

To the extent that delays occur, costs become unrecoverable, or we otherwise become unable to effectively manage and complete our capital projects, our results of operations, cash flows and financial condition may be adversely affected.

Advances in technology could make our electric generating facilities less competitive. Research and development activities are ongoing for new technologies that produce power or reduce power consumption. These technologies include renewable energy, customer-oriented generation, energy storage and energy efficiency. We generate power at central station power plants to achieve economies of scale and produce power at a competitive cost. There are distributed generation technologies that produce power, including fuel cells, microturbines, wind turbines and solar cells, which have become more cost competitive. It is possible that advances in technology will continue to reduce the costs of these alternative methods of producing power to a level that is competitive with that of central station power production. If these technologies become cost competitive and achieve economies of scale, our market share could be eroded, and the value of our generating facilities could be reduced. Advances in technology also could change the channels through which our electric customers purchase or use power, which could reduce our sales and revenues or increase our expenses.

Our operations are subject to risks beyond our control, including but not limited to, cyber security intrusions, terrorist attacks, acts of war or unauthorized access to personally identifiable information. We face the risk of terrorist and cyber intrusions, both threatened and actual, against our generation facilities, electric and natural gas distribution infrastructure, our information and technology systems, and network infrastructure, including that of third parties on which we rely, any of which could result in a full or partial disruption of our ability to generate, transmit, purchase or distribute electricity or natural gas or cause environmental repercussions. Any operational disruption or environmental repercussions could result in a significant decrease in our revenues or significant reconstruction or remediation costs, which could materially and adversely affect our results of operations, financial condition and cash flows.

We operate in an industry that requires the use of sophisticated information technology systems and network infrastructure, which control an interconnected system of generation, distribution and transmission systems shared with third parties. A successful physical or cybersecurity intrusion may occur despite our security measures or those that we require our vendors to take, which include compliance with reliability standards and critical infrastructure protection standards. Successful cyber intrusions, including those targeting the electronic control systems used at our generating facilities and electric and natural gas transmission, distribution and storage systems, could disrupt our operations and result in loss of service to customers. These intrusions may cause unplanned outages at our power plants, which may reduce our revenues or cause us to incur significant costs if we are required to operate our higher-cost electric generators or purchase replacement power to satisfy our obligations, and could result in additional maintenance expenses. The risk of such intrusions may also increase our capital and operating costs as a result of having to implement increased security measures for protection of our information technology and infrastructure.

We face ongoing threats to our assets and technology systems. Despite the implementation of strong security measures, all assets and systems are potentially vulnerable to disability, failures, or unauthorized access due to human error or physical or cyber intrusions. If our assets or systems were to fail, be physically damaged, or be breached and were not recovered in a timely manner, we may be unable to perform critical business functions, and sensitive and other data could be compromised.

Our business requires the collection and retention of personally identifiable information of our customers, stockholders and employees, who expect that we will adequately protect such information. Security breaches may expose us to a risk of loss or misuse of confidential and proprietary information. A significant theft, loss or fraudulent use of personally identifiable information may lead to potentially large costs to notify and protect the impacted persons, and/or could cause us to become subject to significant litigation, costs, liability, fines or penalties, any of which could materially and adversely impact our results of operations as well as our reputation with customers, stockholders and regulators, among others. In addition, we may be required to incur significant costs associated with governmental actions in response to such intrusions or to strengthen our information and electronic control systems. We also may need to obtain additional insurance coverage related to the threat of such intrusions.

The costs of repairing damage to our facilities, protecting personally identifiable information, and notifying impacted persons, as well as related legal claims, may not be recoverable in rates, may exceed the insurance limits on our insurance policies or, in some cases, may not be covered by insurance.

Transporting, distributing and storing natural gas involves numerous risks that may result in accidents and other operating risks and costs. Inherent in natural gas distribution activities are a variety of hazards and operational risks, such as leaks, accidental explosions, including third-party damages, and mechanical problems, which could materially and adversely affect our results of operations, financial condition and cash flows. In addition, these risks could result in serious injury to employees and nonemployees, loss of human life, significant damage to property, environmental pollution, impairment of operations and substantial losses to us. The location of natural gas pipelines and storage facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. These activities may subject us to litigation or administrative proceedings from time to time, which could result in substantial monetary judgments, fines or penalties against us, or be resolved on unfavorable terms.

We are a holding company and rely on subsidiary earnings to meet our financial obligations. As a holding company with no operations of our own, our ability to meet our financial obligations and pay dividends on our common stock is dependent upon the ability of our subsidiaries to pay amounts to us, whether through dividends or other payments. Our subsidiaries are separate legal entities that have no obligation to pay any of our obligations or to make any funds available for that purpose or for the payment of dividends on our common stock. The ability of our subsidiaries to pay amounts to us depends on their earnings, cash flows, capital requirements and general financial condition, as well as regulatory limitations. Prior to distributing cash to us, our subsidiaries have financial obligations that must be satisfied, including, among others, debt service and preferred stock dividends. In addition, each subsidiary's ability to pay amounts to us depends on any statutory, regulatory and/or contractual restrictions and limitations applicable to such subsidiary, which may include requirements to maintain specified levels of debt or equity ratios, working capital or other assets. Our utility subsidiaries are regulated by various state utility commissions, which generally possess broad powers to ensure that the needs of the utility customers are being met.

We may fail to attract and retain an appropriately qualified workforce. We operate in an industry that requires many of our employees to possess unique technical skill sets. Events, such as an aging workforce without appropriate replacements, the mismatch of skill sets to future needs or the unavailability of contract resources, may lead to operating challenges or increased costs. These operating challenges include lack of resources, loss of knowledge and a lengthy time period associated with skill development. In addition, current and prospective employees may determine that they do not want to work for us. Failure to hire and obtain replacement employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, may adversely affect our ability to manage and operate our business. If we are unable to successfully attract and retain an appropriately qualified workforce, our results of operations could be adversely affected.

Failure of our counterparties to meet their obligations, including obligations under power purchase agreements, could have an adverse impact on our results of operations. We are exposed to the risk that counterparties to various arrangements who owe us money, electricity, natural gas or other commodities or services will not be able to perform their obligations. Should the counterparties to these arrangements fail to perform, we may be required to replace the underlying commitment at current market prices or we may be unable to meet all of our customers' electric and natural gas requirements unless or until alternative supply arrangements are put in place. In such an event, we may incur losses, and our results of operations, financial position or liquidity could be adversely affected.

We have entered into several power purchase agreements with nonaffiliated companies, and continue to look for additional opportunities to enter into these agreements. Revenues are dependent on the continued performance by the purchasers of their obligations under the power purchase agreements. Although we have a comprehensive credit evaluation process and contractual protections, it is possible that one or more purchasers could fail to perform their obligations under the power purchase agreements. If this were to occur, we would expect that any operating and other costs that were initially allocated to a defaulting customer's power purchase agreement would be reallocated among our retail customers. To the extent there is any regulatory delay in adjusting rates, a customer default under a power purchase agreement could have a negative impact on our results of operations and cash flows.

Our revenues could be negatively impacted by competitive activity in the wholesale electricity markets. The FERC rules related to transmission are designed to facilitate competition in the wholesale electricity markets among regulated utilities, nonutility generators, wholesale power marketers and brokers by providing greater flexibility and more choices to wholesale customers, including initiatives designed to encourage the integration of renewable sources of supply. In addition, along with transactions contemplating physical delivery of energy, financial laws and regulations impact hedging and trading based on futures contracts and derivatives that are traded on various commodities exchanges, as well as over-the-counter. Technology changes in the power and fuel industries also have significant impacts on wholesale transactions and related costs. We currently cannot predict the impact of these and other developments or the effect of changes in levels of wholesale supply and demand, which are driven by factors beyond our control.

We may not be able to use tax credits, net operating losses and/or charitable contribution deduction carryforwards. We have significantly reduced our consolidated federal and state income tax liability in the past through tax credits, net operating losses and charitable contribution deductions available under the applicable tax codes. We have not fully used the allowed tax credits, net operating losses and charitable contribution deductions in our previous tax filings. We may not be able to fully use the tax credits, net operating losses and charitable contribution deductions available as carryforwards if our future federal and state taxable income and related income tax liability is insufficient to permit their use. In addition, any future disallowance of some or all of those tax credits, net operating losses or charitable contribution deduction carryforwards as a result of legislation or an adverse determination by one of the applicable taxing jurisdictions could materially affect our tax obligations and financial results.

Risks related to economic and market volatility

Our business is dependent on our ability to successfully access capital markets. We rely on access to credit and capital markets to support our capital requirements, including expenditures for our utility infrastructure and to comply with future regulatory requirements, to the extent not satisfied by the cash flow generated by our operations. We historically have secured funds from a variety of sources, including the issuance of short-term and long-term debt securities. Successful implementation of our long-term business strategies, including capital investment, is dependent upon our ability to access the capital markets, including the banking and commercial paper markets, on competitive terms and rates. In addition, we rely on committed bank credit agreements as backup liquidity, which allows us to access the low-cost commercial paper markets.

Our or our subsidiaries' access to the credit and capital markets could be limited, or our subsidiaries' cost of capital significantly increased, due to any of the following risks and uncertainties:

- Rating downgrade
- Economic downturn or uncertainty
- Prevailing market conditions
- Concerns over foreign economic conditions
- Changes in tax policy
- War or threat of war
- Overall health and view of the utility and financial institution industries

If any of these risks or uncertainties limit our access to the credit and capital markets or significantly increase our cost of capital, it could limit our ability to implement, or increase the costs of implementing, our business plan, which, in turn, could materially and adversely affect our results of operations, cash flows, and financial condition, and could limit our ability to sustain our current common stock dividend level.

A downgrade in our or any of our subsidiaries' credit ratings could negatively affect our or our subsidiaries' ability to access capital at reasonable costs and/or require the posting of collateral. Factors that impact our and our subsidiaries' credit ratings include, but are not limited to, capital structure, regulatory environment, ability to cover liquidity requirements and other requirements for capital. We or any of our subsidiaries could experience a downgrade in ratings if the rating agencies determine that the level of business or financial risk of us, our utilities or the utility industry has deteriorated. Changes in rating methodologies by the rating agencies also could have a negative impact on credit ratings.

Any downgrade by the rating agencies could:

- Increase borrowing costs under certain existing credit facilities
- Require payment of higher interest rates in future financings and possibly reduce the pool of creditors
- Decrease funding sources by limiting our or our subsidiaries' access to the commercial paper market
- Limit availability of adequate credit support for our subsidiaries' operations
- Trigger collateral requirements in various contracts

Fluctuating commodity prices could negatively impact our electric and natural gas utility operations. The margins and liquidity requirements of our businesses are impacted by changes in the forward and current market prices of natural gas, coal, electricity, renewable energy credits and ancillary services.

Our electric utilities burn natural gas in several of their electric generation plants and as a supplemental fuel at several coal-fueled plants. In many instances, purchased power costs are tied to natural gas costs. Natural gas costs may increase because of disruptions in natural gas supply due to a curtailment in production or distribution, international market conditions, demand for natural gas, and availability of shale gas and potential regulations affecting its accessibility.

Our Wisconsin electric utilities bear the risk for the recovery of fuel and purchased power costs within a symmetrical 2 percent fuel tolerance band compared to the forecast of fuel and purchased power costs established in their respective rate structures. Our natural gas utilities receive dollar-for-dollar recovery of prudently incurred natural gas costs.

Changes in commodity prices could result in:

- Higher working capital requirements, particularly related to natural gas inventory, accounts receivable and cash collateral postings
- Reduced profitability to the extent that reduced margins, increased bad debt and interest expense are not recovered through rates
- Higher rates charged to our customers, which could impact our competitive position
- Reduced demand for energy, which could impact margins and operating expenses
- Shutting down generation facilities if generation costs exceed the market price for electricity

We may not be able to obtain an adequate supply of coal, which could limit our ability to operate our coal-fueled facilities. We are dependent on coal for much of our electric generating capacity. Although we generally carry sufficient coal inventory at our generating facilities to protect against an interruption or decline in supply, there can be no assurance that the inventory levels will be adequate. While we have coal supply and transportation contracts in place, we cannot ensure that the counterparties to these agreements will be able to fulfill their obligations to supply coal to us or that we will be able to take delivery of all the contracted coal volume. The suppliers under these agreements may experience financial or operational problems that inhibit their ability to fulfill their obligations to us, or we may experience operational problems or constraints that prevent us from taking delivery. In addition, suppliers under these agreements may not be required to supply coal to us under certain circumstances, such as in the event of a natural disaster. Furthermore, demand for coal can impact its availability and cost. If we are unable to obtain our coal requirements under our coal supply and transportation contracts, we may be required to purchase coal at higher prices, or we may be forced to reduce generation at our coal-fueled units and replace this lost generation through additional power purchases in the MISO Energy and Operating Reserves Market (MISO energy markets). There is no guarantee that we would be able to fully recover any increased costs in rates or that recovery would not otherwise be delayed, either of which could adversely affect our cash flows.

Our electric generation frequently exceeds our customer load. When this occurs, we generally sell the excess generation into the MISO energy markets. If we are unable to run our lower-cost units, we may lose the ability to engage in these opportunity sales, which may adversely affect our results of operations.

The use of derivative contracts could result in financial losses. We use derivative instruments such as swaps, options, futures and forwards to manage commodity price exposure. We could recognize financial losses as a result of volatility in the market value of these contracts or if a counterparty fails to perform. These risks are managed through risk-management policies, which might not work as planned and cannot entirely eliminate the risks associated with these activities. In addition, although the hedging programs of our utilities must be approved by the various state commissions, derivative contracts entered into for hedging purposes might not offset the underlying exposure being hedged as expected, resulting in financial losses. In the absence of actively quoted market prices and pricing information from external sources, the value of these financial instruments can involve management's judgment or use of estimates. Changes in the underlying assumptions or use of alternative valuation methods could affect the value of the reported fair value of these contracts.

Restructuring in the regulated energy industry could have a negative impact on our business. The regulated energy industry continues to experience significant structural changes. Increased competition in the retail and wholesale markets, which may result from restructuring efforts, could have a significant adverse financial impact on us.

Certain jurisdictions in which we operate, including Michigan and Illinois, have adopted retail choice. Under Michigan law, our retail customers may choose an alternative electric supplier to provide power supply service. The law limits customer choice to 10 percent of our Michigan retail load. The two iron ore mines located in the Upper Peninsula of Michigan are excluded from this cap. When a customer switches to an alternative electric supplier, we continue to provide distribution and customer service functions for the customer. It is uncertain whether retail choice might be implemented in Wisconsin or Minnesota.

Illinois utilities' retail customers may choose an alternative natural gas supplier. Transportation customers purchase natural gas directly from third-party natural gas suppliers and use our distribution system to transport the natural gas to their facilities. Because we earn a distribution charge for transporting the natural gas for these customers, these arrangements have little or no impact on our net income.

FERC continues to support the existing Regional Transmission Organizations (RTOs) that affect the structure of the wholesale market within these RTOs. In connection with its status as a FERC approved RTO, Midcontinent Independent System Operator, Inc. (MISO) implemented bid-based energy markets that are part of the MISO energy markets. The MISO energy markets rules require that all market participants submit day-ahead and/or real-time bids and offers for energy at locations across the MISO region. MISO then calculates the most efficient solution for all of the bids and offers made into the market that day and establishes a locational marginal price that reflects the market price for energy. As a participant in the MISO energy markets, we are required to follow MISO's instructions when dispatching generating units to support MISO's responsibility for maintaining stability of the transmission system. MISO also implemented an ancillary services market for operating reserves that was simultaneously co-optimized with its existing energy markets.

These market designs continue to have the potential to increase costs of transmission, costs associated with inefficient generation dispatching, costs of participation in the MISO energy markets, and costs associated with estimated payment settlements.

We may experience poor investment performance of benefit plan holdings due to changes in assumptions and market conditions. We have significant obligations related to pension and other postretirement employee benefit plans. If we are unable to successfully manage our benefit plan assets and medical costs, our cash flows, financial condition or results of operations could be adversely impacted.

Our cost of providing these plans is dependent upon a number of factors, including actual plan experience, changes made to the plans and assumptions concerning the future. Types of assumptions include earnings on plan assets, discount rates, level of interest rates used to measure the required minimum funding levels of the plans, future government regulation, estimated withdrawals by retirees and our required or voluntary contributions to the plans. Plan assets are subject to market fluctuations and may yield returns that fall below projected return rates. In addition, medical costs for both active and retired employees may increase at a rate that is significantly higher than we currently anticipate. Our funding requirements could be impacted by a decline in the market value of plan assets, changes in interest rates, changes in demographics (including the number of retirements) or changes in life expectancy assumptions.

We may be unable to obtain insurance on acceptable terms or at all, and the insurance coverage we do obtain may not provide protection against all significant losses. Our ability to obtain insurance, as well as the cost and coverage of such insurance, could be affected by developments affecting our business; international, national, state or local events; and the financial condition of insurers. Insurance coverage may not continue to be available at all, or at rates or terms similar to those presently available to us. In addition, our insurance may not be sufficient or effective under all circumstances and against all hazards or liabilities to which we may be subject. Any losses for which we are not fully insured or that are not covered by insurance at all could materially adversely affect our results of operations, cash flows and financial position.

Risks related to the Integrys acquisition

The acquisition of Integrys Energy Group Inc. (Integrys) may not achieve its anticipated results, and we may be unable to integrate operations as expected. The merger agreement between us and Integrys was entered into with the expectation that the acquisition would result in various benefits, including, among other things, cost savings and operating efficiencies. Achieving the anticipated benefits of the acquisition is subject to a number of uncertainties, including whether the businesses of the two companies can be integrated in an efficient, effective and timely manner.

Integration may take longer than anticipated and could result in the loss of valuable employees; disruption of ongoing businesses, processes and systems; or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect our ability to achieve the anticipated benefits of the transaction as and when expected. We may have difficulty addressing possible differences in corporate cultures and management philosophies. Failure to achieve anticipated acquisition benefits could result in increased costs or decreases in expected revenues and could adversely affect our future business, financial condition, operating results and prospects.

The acquisition may not be accretive to earnings and may cause dilution to our earnings per share, which may negatively affect the market price of our common stock. We anticipate that the acquisition will be accretive to earnings per share in 2016, which will be the first full year following completion of the transaction. This expectation is based on preliminary estimates that are subject to change. We also could encounter additional transaction and integration-related costs, may fail to realize all of the benefits anticipated in the acquisition, or may be subject to other factors that affect preliminary estimates. Any of these factors could cause a decrease in our earnings per share or decrease or delay the expected accretive effect of the transaction and contribute to a decrease in the price of our common stock.

We may incur unexpected transaction fees and transaction-related costs in connection with the acquisition. We incurred a number of expenses associated with completing the acquisition, and expect to incur additional expenses related to combining the operations of the two companies. We may incur additional unanticipated costs in the integration of the businesses. Although we expect that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses of the two companies, will offset the incremental transaction-related costs over time, we may not achieve this net benefit in the near term, or at all.

We recorded goodwill that could become impaired and adversely affect financial results. The acquisition of Integrys was accounted for as a purchase in accordance with generally accepted accounting principles. Under the purchase method of accounting, the assets and liabilities acquired and assumed were recorded at their estimated fair values at the date of acquisition and added to those of legacy Wisconsin Energy Corp. The excess of the purchase price over the estimated fair values was recorded as goodwill. As of Dec. 31, 2015, goodwill totaled $3,023.5 million, of which $2,581.6 million is attributable to the acquisition of Integrys. We perform an analysis of our goodwill balances to test for impairment on an annual basis or whenever events occur or circumstances change that would indicate a potential for impairment. If goodwill is deemed to be impaired, we may be required to incur material noncash charges that could materially adversely affect our results of operations.

Forward-Looking Statement

In this Corporate Responsibility Report, WEC Energy Group, Inc. (WEC) makes statements concerning its 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 of 1934. 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 other post-retirement benefit 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 WEC's actual results to differ materially from those expressed or implied in the statements. These risks and uncertainties include those described under Key Challenges and Risks in this report, and those identified 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 businesses;
- The ability to obtain and retain customers, including wholesale customers, due to increased competition in WEC's 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, tax law changes, 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;
- 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;
- 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 WEC's 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 WEC's and its subsidiaries' 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 WEC's subsidiaries to transfer funds to it in the form of cash dividends, loans or advances;
- The risk of financial loss, including increases in bad debt expense, associated with the inability of WEC's customers, counterparties, and affiliates to meet their obligations;
- Changes in the creditworthiness of the counterparties with whom the company has contractual arrangements, including participants in the energy trading markets and fuel suppliers and transporters;
- The direct or indirect effect on WEC's business resulting from terrorist incidents, the threat of terrorist incidents, and cyber intrusion, including the failure to maintain the security of personally identifiable information, the associated costs to protect our assets and personal information, and the costs to notify affected persons to mitigate their information security concerns;
- The financial performance of American Transmission Company LLC (ATC) and its corresponding contribution to WEC's earnings, as well as the ability of ATC and Duke-American Transmission Company to obtain the required approvals for their transmission projects;
- The investment performance of WEC's 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 terms and conditions of the governmental and regulatory approvals of the acquisition of Integrys Energy Group that could reduce anticipated benefits and WEC's ability to successfully integrate the operations of the combined company;
- 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 effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other considerations disclosed from time to time in WEC's Securities and Exchange Commission (SEC) filings or in other publically disseminated written documents, including the risk factors set forth in WEC's Annual Report on Form 10-K for the year ended Dec. 31, 2015 and in subsequent reports filed by WEC with the SEC.

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

WEC Energy Group

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