

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.

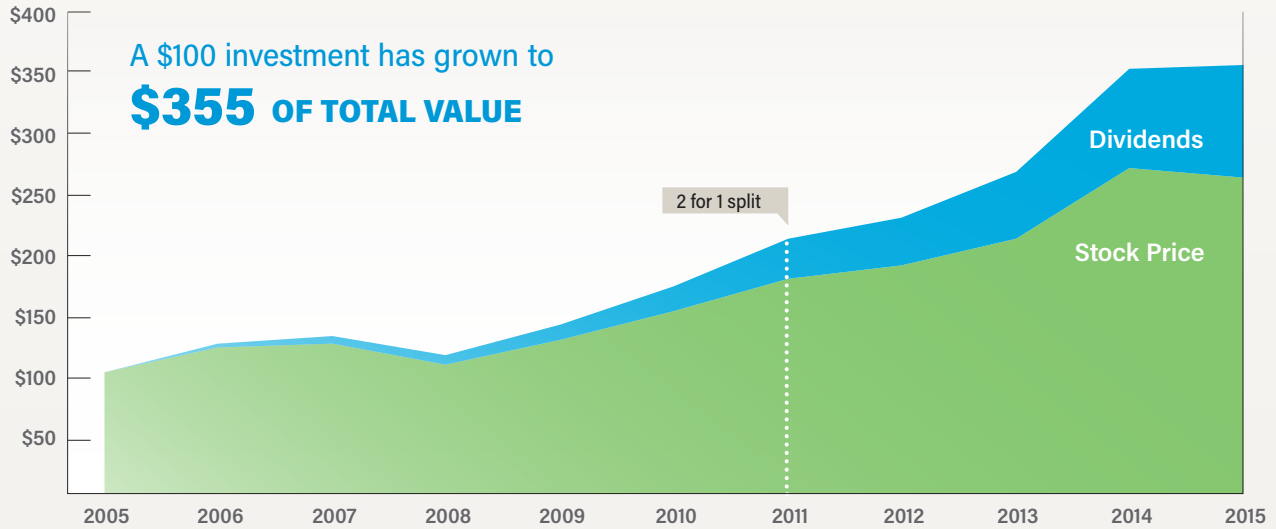
Pursuant to the merger agreement, Integrys's stockholders received 1.128 shares of Wisconsin Energy Corporation common stock and \$18.58 in cash per share of Integrys common stock. The total consideration transferred was \$5,583.1 million and was based on the closing price of Wisconsin Energy Corporation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

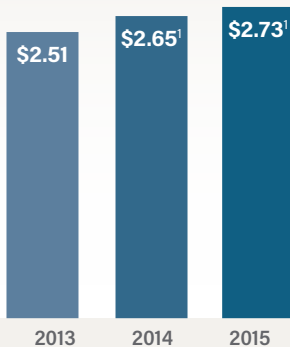
WEC total stockholder return



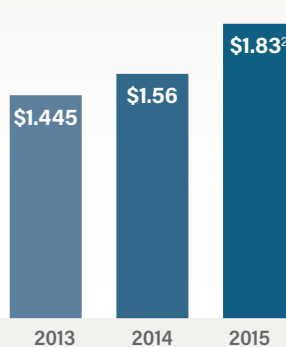
Dividend increase

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.

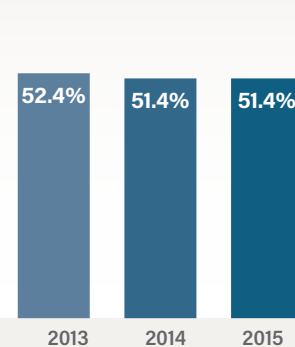
Earnings per share



Dividends per share



Year-end debt to total capital³



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.

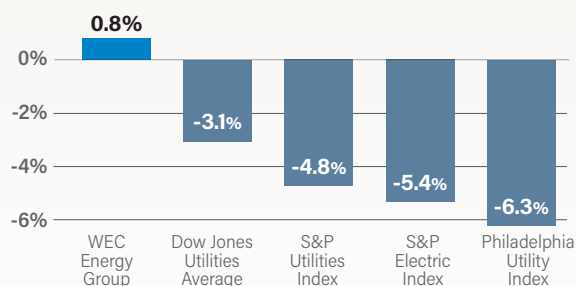
2. Annualized based on fourth quarter 2015 dividend of \$0.4575.

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.

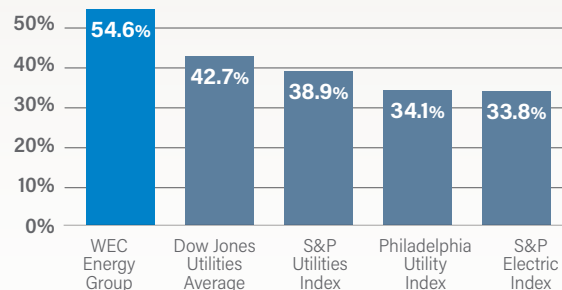
Long-term stockholder returns

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.

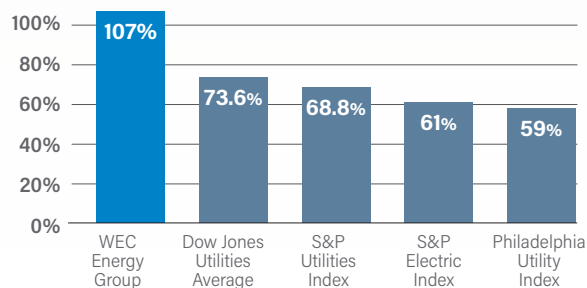
One-year total return



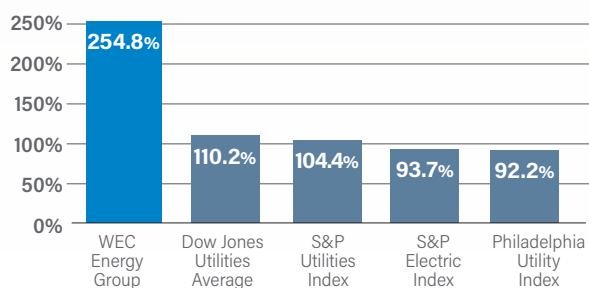
Three-year total return



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
Integrus 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)

Customers	(Years ended Dec. 31)		
	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

Sources	(Years ended Dec. 31)		
	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

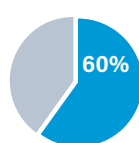
Our other states segment includes the natural gas utility operations of Minnesota Energy Resources and Michigan Gas Utilities. We acquired the natural gas distribution operations of Minnesota Energy Resources and Michigan Gas Utilities, located in Minnesota and Michigan, respectively, on June 29, 2015, 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

ECONOMIC PERFORMANCE

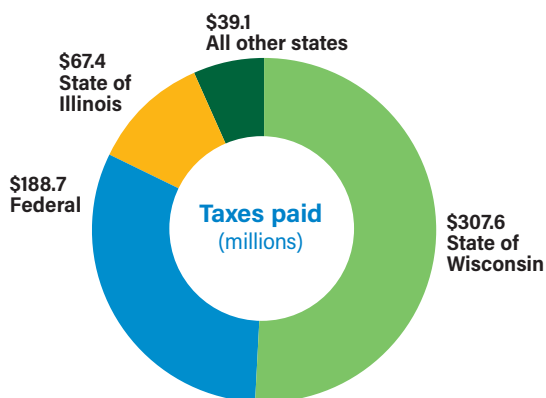
The following table shows our capitalization structure as of Dec. 31, 2015, 2014 and 2013, as well as an adjusted capitalization structure that we believe is consistent with the manner in which the rating agencies currently view our 2007 6.25 percent Series A Junior Subordinated Notes due 2067, Integry's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

Change in benefit obligation	Pension		OPEB	
	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)

Asset category	Pension				OPEB			
	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 women's 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.

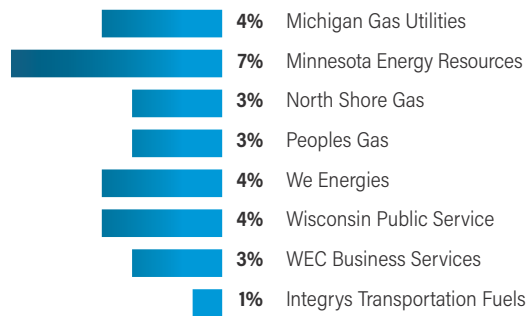
Our leaders have the responsibility to continually develop the talent of their organizations through the broadening and deepening of business and leadership knowledge, thus ensuring future business success.

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%
Integrays 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%
Integrays 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.