

# FOCUSED ON THE FUNDAMENTALS

*Sustainable progress for an enduring enterprise*





### *About this report*

This report covers the year 2016 for WEC Energy Group Inc. (WEC) and its subsidiaries on a consolidated basis. The performance data is focused on the operations of Wisconsin Electric Power Co. and Wisconsin Gas LLC, doing business as We Energies, and Wisconsin Public Service Corp. in Wisconsin and Michigan; Michigan Gas Utilities Corp. in Michigan; Minnesota Energy Resources Corp. in Minnesota; and The Peoples Gas Light and Coke Co. and North Shore Gas Co. in Illinois. It was prepared using guidance from the Global Reporting Initiative (GRI) Standards.

We are headquartered in Milwaukee, Wisconsin. During 2016, 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. 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.

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» Due to the timing of the release of this report, some content reflects updated 2017 information.

# Our 2016 Corporate Responsibility Report



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**Allen L. Leverett**

President and Chief Executive Officer

## Message from the President and Chief Executive Officer

Two years now have passed since our acquisition of Integrys Energy Group in June 2015. Unified as WEC Energy Group, one of the 15 largest investor-owned utility systems in the United States, we have the capacity and resources to thrive in our evolving industry. We are leveraging our strengths and incorporating best practices across the organization to streamline operations, reduce costs, and enhance reliability and energy efficiency.

As we pursue these goals, we understand that corporate responsibility means meeting the needs of our key stakeholders, including more than 8,000 employees, 4.4 million customers, and the communities in which they live and work. We manage risks and account for economic, environmental and social factors in our short- and long-term planning.

Our efforts have made an impact, with benefits to our operations, customers and investors. We achieved several milestones in 2016.

- 2016 was the safest year on record for several of our companies and at the aggregate company level. The number of OSHA-recordable incidents and lost-time incidents decreased by almost 17 percent on a year-over-year basis.
- PA Consulting Group named We Energies the most reliable electric utility in the Midwest for the sixth consecutive year. We Energies also was honored with the Outstanding Customer Reliability Experience Award, highlighting the company's effective customer service and communications.
- In national customer satisfaction studies, We Energies and Wisconsin Public Service ranked first in the Midwest for power quality among large and mid-sized utilities, respectively.
- Minnesota Energy Resources ranked second in the Midwest for price and overall customer satisfaction among mid-sized utilities.
- Our Wisconsin utilities completed projects to improve efficiency and sustainability in energy generation. The new powerhouse at We Energies' Twin Falls hydroelectric facility achieved commercial operation, increasing the facility's generating capacity by 50 percent, and Wisconsin Public Service put ReACT™ emission control technology into use at its Weston 3 power plant.



We are delivering on the promised benefits of the Integrys acquisition. Our subsidiaries reduced overall operations and maintenance expenses by nearly 6 percent compared to our original target of 3 to 5 percent. As efficiency and financial discipline go hand-in-hand, we achieved our primary financial goal of earning the allowed return on equity at each of our utilities, while also achieving record earnings per share. I believe that, as we continue to streamline and consolidate our systems across the enterprise, we will deliver even more benefits. We focus on the long term in our decision-making, balancing business growth with affordability of service for our customers.

### **Investing for lasting success**

Our utilities continue to modernize the critical infrastructure required to provide electric and natural gas service to our customers. We expect to invest more than \$1.5 billion a year in capital projects to ensure system efficiency and reliability.

We also have made significant investments to improve our natural gas storage and electricity generation capabilities. In June 2017, we acquired Bluewater Natural Gas Holding LLC for \$225 million. This underground natural gas storage facility in Michigan will provide approximately one-third of the storage needs for our natural gas distribution companies in Wisconsin. Each of our three Wisconsin natural gas distribution companies will enter into a long-term service agreement with Bluewater. We believe that the associated risks and returns will be consistent with those that we see in our regulated businesses, and that the storage will result in significant savings to our customers over time.

A new stand-alone utility now serves our customers in Michigan's Upper Peninsula. Upper Michigan Energy Resources Corp., or UMERC, will help us provide a long-term generation solution for the region. Pending approval by the Michigan Public Service Commission, we plan to invest \$275 million in 180 megawatts of efficient natural gas-fueled generation. Commercial operation

is planned for 2019. This will allow for reliable and flexible operations and facilitate the retirement of the coal-fueled Presque Isle Power Plant.

### **Generation restructuring**

Our plans for UMERC are part of a more comprehensive effort to adapt to a changing industry and practice strong environmental stewardship. In 2016, about half of the electricity we delivered to our customers was derived from low- or no-carbon sources such as natural gas, nuclear fuel, wind farms and hydroelectric facilities. We want to continue to make progress in this area. Relatively flat electricity growth, in combination with natural gas and coal economics, has driven us to re-evaluate our generation portfolio.

Taken as a whole, I want any changes that we make to reduce costs, preserve fuel diversity and continue to limit our carbon emissions. As environmental regulations takes shape, our plan is to work with our industry partners, environmental groups and the State of Wisconsin to reduce carbon dioxide emissions by approximately 40 percent below 2005 levels by 2030.

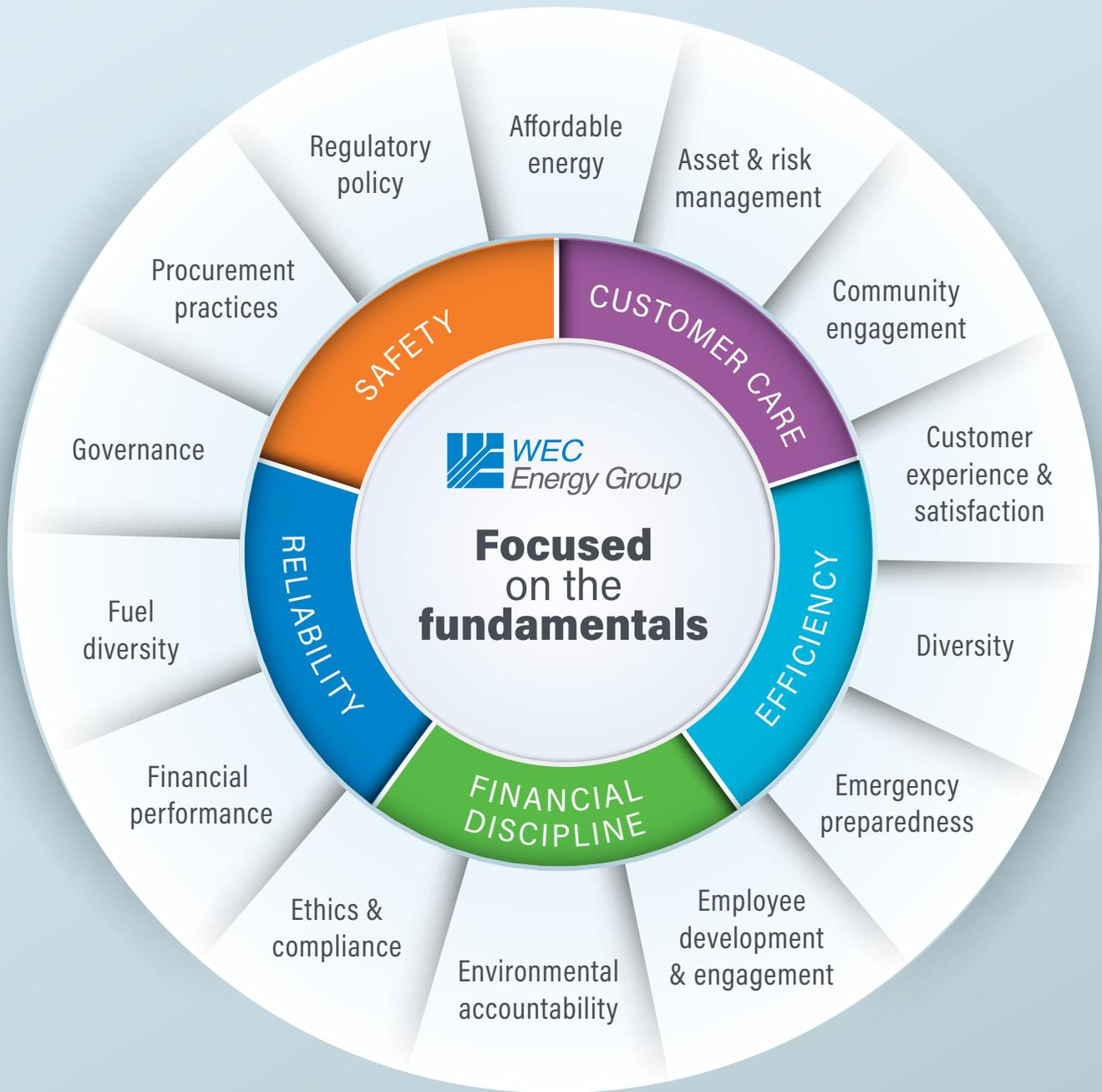
### **In summary**

Across the corporation, our employees are focused on the fundamentals – safety, efficiency, reliability, financial discipline and customer care – that provide a platform for sustainable business. As we look toward the future, we commit to serving our customers and supporting our communities as a responsible corporate citizen.

Sincerely,

Allen L. Leverett  
President and Chief Executive Officer

# Our Focus Areas



# Focus areas defined

In 2016, WEC Energy Group conducted an internal review of issues relevant to our business that could have significant environmental, social and economic impacts. Our corporate responsibility team first compiled a list of topics identified through existing processes for sustainability reporting, risk management and stakeholder engagement. These included core organizational goals, key performance indicators, and risks identified by our senior management, Enterprise Risk Steering Committee, and board of directors.

Our corporate responsibility team refined the established list of focus areas through benchmarking against energy sector peers and sustainability disclosure frameworks, including the GRI Standards and external surveys. Lastly, we talked with key executives to finalize our assessment – an organizational focus on five core business fundamentals and 14 sustainability topics which support the company's ability to deliver on these fundamentals.

**Affordable energy:** We remain cost-conscious to offer affordable, competitive rates to our electric, natural gas and steam customers.

**Asset and risk management:** We plan carefully to uphold safety and efficiency in new and retiring generation and infrastructure development. Our management structure monitors our major risk exposures in such areas as environmental compliance, regulatory compliance and cybersecurity.

**Community engagement:** We support the communities we serve through corporate giving and outreach focused on arts and culture, community and neighborhood development, education, the environment, and human services and health.

**Customer experience and satisfaction:**

As we focus on delivering energy to customers safely and dependably, we work to enhance the customer experience through effective customer communications, billing options and feedback mechanisms.

**Diversity:** To maximize both individual contributions and organizational effectiveness, we are committed to fostering diversity and inclusion in our workforce, supply chain and governing bodies.

**Emergency preparedness:** To uphold public and employee safety, we maintain comprehensive emergency response plans across the organization, including mobilization for storms and outages.

**Employee development and engagement:** In support of a skilled workforce, we use a multifaceted recruitment process to attract and select talented employees, and we provide opportunities for employee training and education.

**Environmental accountability:** We practice responsible environmental stewardship throughout our operations in order to protect air and water quality, enhance biodiversity and manage resources efficiently.

**Ethics and compliance:** Our policy is designed to establish and maintain a high level of ethical business conduct and enforce compliance with applicable legal requirements.

**Financial performance:** We continue to deliver on performance targets, including earning the allowed return on equity at each of our utilities, through our focus on efficiency and financial discipline.

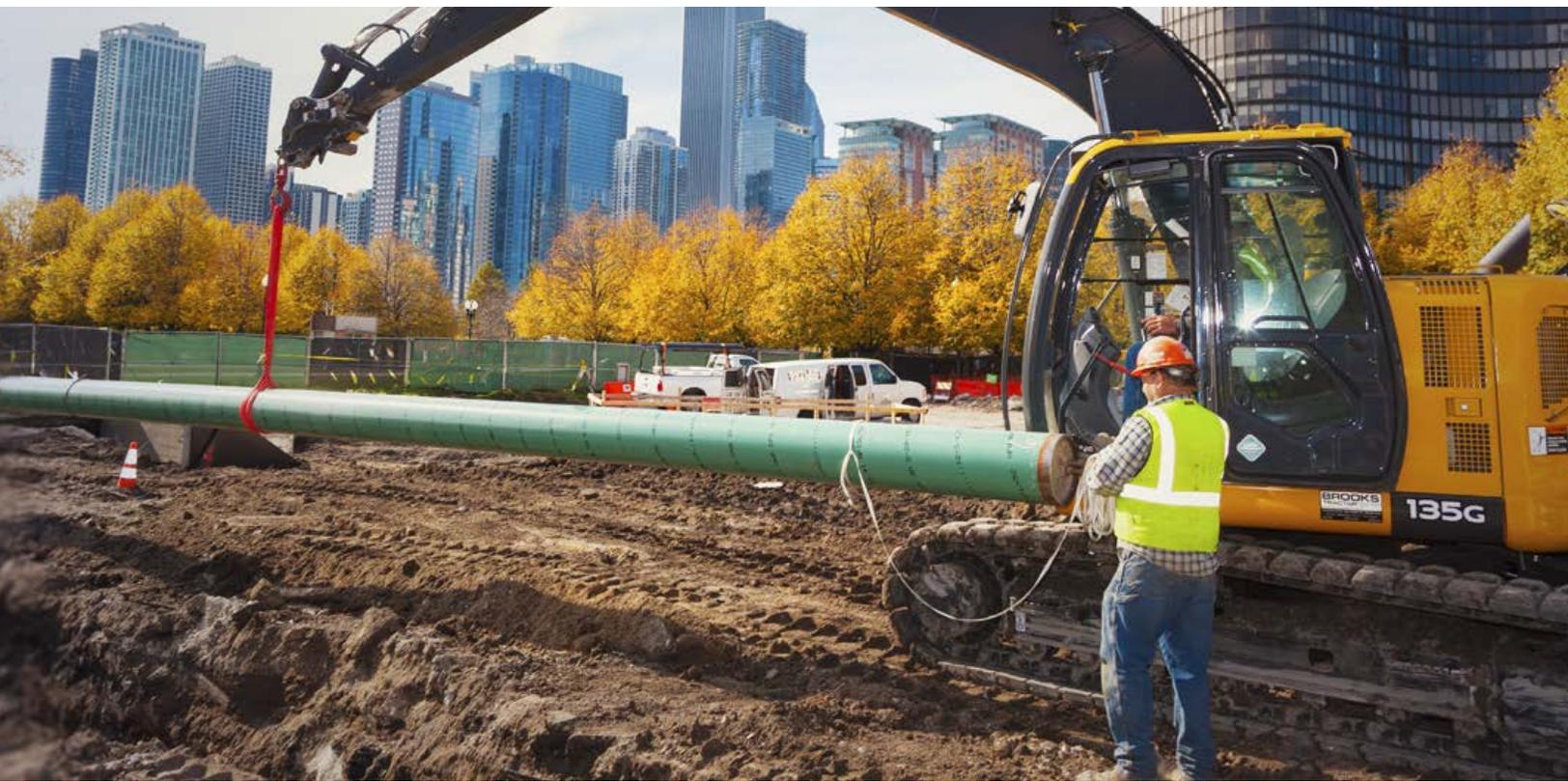
**Fuel diversity:** We are strategically reshaping our electric generation portfolio to incorporate renewable energy, maintain fuel diversity, reduce costs and limit carbon emissions.

**Governance:** Our governance policies and management systems promote accountability to our stakeholders and contribute to efficient and effective operations.

**Procurement practices:** We select suppliers and manage our supply chain to enhance safety, innovation, cost reduction, diversity and customer satisfaction.

**Regulatory policy:** We adhere to regulatory requirements for our industry and advocate on behalf of our stakeholders for safe, reliable and affordable energy before elected officials and government agencies.

# Organizational Profile



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



# Key facts

Total customer accounts:  
**4.4 million**



ELECTRIC DISTRIBUTION

NATURAL GAS DISTRIBUTION



**Customers:**  
Electric: 1,145,900  
Natural gas: 1,107,000  
Steam: 390



**Customers:**  
Electric: 450,800  
Natural gas: 330,900



**Customers:**  
Natural gas: 174,000



**Customers:**  
Natural gas: 840,000



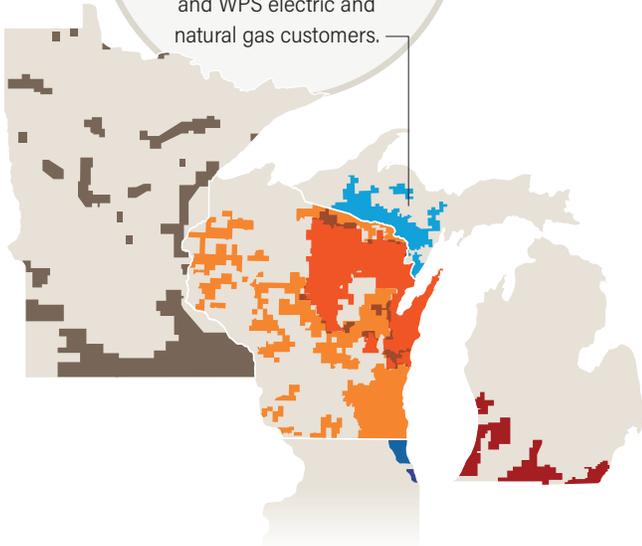
**Customers:**  
Natural gas: 232,000



**Customers:**  
Natural gas: 159,000

**UPPER MICHIGAN ENERGY RESOURCES**

**Stand-alone utility proposed in 2016.**  
Began operations Jan. 1, 2017 with 41,000 We Energies and WPS electric and natural gas customers.



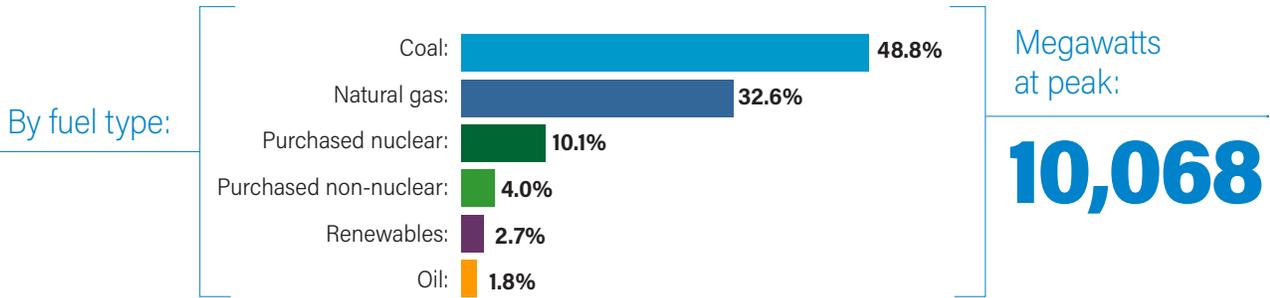
- Minnesota Energy Resources
- Michigan Gas Utilities
- We Energies
- North Shore Gas
- Wisconsin Public Service
- Peoples Gas
- Upper Michigan Energy Resources

Data as of December 2016, unless otherwise noted.

GENERATION FACILITIES

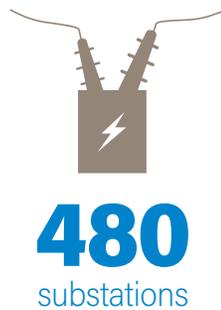
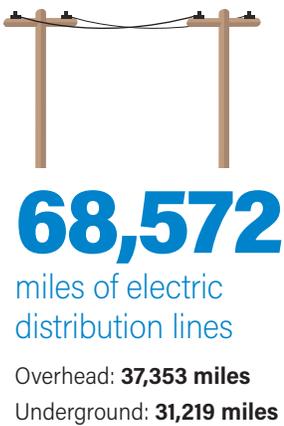


GENERATION CAPACITY



2016 data for WEC Energy Group (We Energies, Wisconsin Public Service and Wisconsin River Power Co.)

DISTRIBUTION



Data as of December 2016.

# Highlights

At WEC Energy Group, 2016 was a transformative year – our first full year as a united company following the acquisition of Integrys Energy Group.

**We have continued progress in:**

- Consolidating information technology infrastructure.
- Implementing enterprisewide systems to support human resources, supply chain, finance and other major areas.
- Achieving savings by consolidating vendor and supplier contracts and negotiating most favorable terms.
- Implementing programs and establishing consistent measurements of customer satisfaction across our utilities.
- Rolling out advanced metering functionality.
- Expanding mobile options for electric outage reporting and status alerts.
- Improving and increasing mobile self-service options for many of our customers.
- Developing a new training facility to support our Illinois workforce.

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

## Safety performance

Across our companies, employees are focused on Target Zero, a commitment by all to living and working 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 exposures through the implementation and improvement of key programs. These efforts, in turn, have helped to drive a decrease in the total number of Occupational Safety and Health Administration (OSHA)-recordable incidents and the total number of lost-time incidents by more than 66 and 62 percent, respectively. This includes a reduction of well over 30 percent in both categories in the last two years alone.

WEC Energy Group - All	2014	2015	2016
OSHA recordable incidents	238	193	163
Lost-time incidents	77	55	49

## Focus on reliability and customer satisfaction

Our energy companies received several high customer satisfaction and reliability rankings in 2016:

- We Energies was named the most reliable utility in the Midwest for the sixth consecutive year.
- In national studies, We Energies and Wisconsin Public Service (WPS) ranked first in the Midwest for power quality among large and mid-sized utilities, respectively.
- Minnesota Energy Resources ranked second in the Midwest region for price and overall customer satisfaction among mid-sized utilities.
- Michigan Gas Utilities ranked first in the Midwest region for price among mid-sized utilities.
- Peoples Gas and North Shore Gas received their best results ever for large customer satisfaction in a national survey conducted by E Source.



## Infrastructure improvements

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

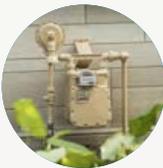
**Between 2016 and 2020, our companies plan to:**

- Rebuild more than 3,500 miles of aging electric distribution lines.
- Upgrade electric infrastructure by replacing more than 15,000 power poles, rebuilding 15 distribution substations, and converting or retiring 20 distribution substations.
- Improve the natural gas distribution network by replacing more than 2,000 miles of vintage plastic and steel mains, 130,000 individual distribution lines and 400,000 meter sets.

### Project milestones



**New Michigan utility** – Upper Michigan Energy Resources Corp. (UMERC), our stand-alone utility in the Upper Peninsula (U.P.) of Michigan, began operation Jan. 1, 2017. The new utility, serving former We Energies and WPS electric and natural gas customers in the U.P., will help facilitate a generation solution for the region.



**System Modernization Program** – This long-term project to modernize Peoples Gas' natural gas infrastructure and improve reliability in Chicago is now more than 20 percent complete.



**System Modernization and Reliability Project** – This reliability improvement project has brought such benefits to customers that WPS proposed including an additional 960 miles of electric power lines. This expansion was approved by the Public Service Commission of Wisconsin and is scheduled to be completed in 2021.



**Twin Falls** – In 2016, We Energies' Twin Falls hydroelectric plant began producing clean and reliable renewable energy with a new powerhouse.



**Oak Creek fuel flexibility** – The incorporation of Powder River Basin coal in addition to bituminous coal at Elm Road Generating Station, formerly known as the Oak Creek Expansion Plant, has enabled the plant to operate with increased flexibility at lower costs.



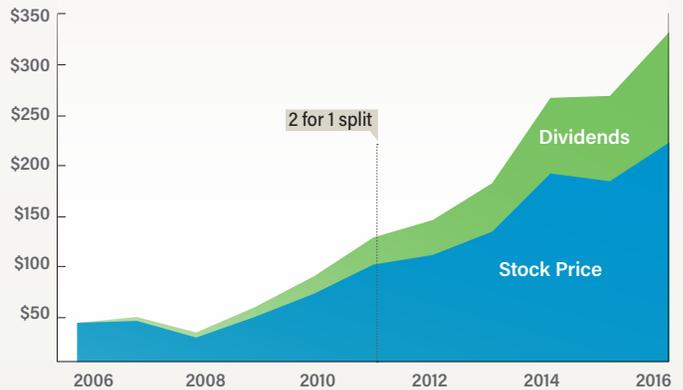
**Weston 3 environmental upgrade** – ReACT™ emission control technology, installed in WPS generating unit Weston 3 in 2016, is delivering its intended benefits: capturing more than 90 percent of sulfur dioxide and mercury as well as more than 20 percent of nitrogen oxides.

### Earnings and financial strength

- Highest net income in company history reflects the positive impact of the Integrys acquisition.
- All regulated utility subsidiaries earned their authorized rates of return.
- 2016 adjusted earnings of \$2.97\* per share reflect a 12.5 percent increase over 2015.

\* Excludes 1 cent per share in 2016, and 30 cents per share in 2015 of acquisition-related costs.  
For full reconciliation, see Economic indicators, page 33.

#### Total Stockholder Return



#### Dividends

At its January 2017 meeting, our board of directors raised the quarterly dividend on the common stock to 52 cents per share – an increase of 2.5 cents, or 5.1 percent, over the previous quarterly dividend level. This represents a compound annual growth rate of 6.6 percent from the 2015 fourth-quarter level. Our annual dividend rate stands at \$2.08 per share. The board affirmed our dividend policy that targets a dividend payout ratio of 65 to 70 percent of earnings.

#### Dividends per share



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

## Awards and recognition

**Best Innovative Campaign** – The Midwest Energy Association (MEA) presented We Energies with an MEA member social media award for the company's safe digging campaign, which featured a customer photo contest of their digging dogs.

**Chancellor's Innovation Award** – University of Wisconsin-Milwaukee honored WEC Energy Group Non-Executive Chairman Gale Klappa with this award, given to distinguished graduates and others connected to southeast Wisconsin who have demonstrated extraordinary vision, innovation, creativity and effective change management.

**Golden Shovel Award** – The Wisconsin chapter of the National Association of Minority Contractors recognized the We Energies Supplier Diversity Initiative for its outreach, support, commitment and leadership in minority-owned business development in the Wisconsin construction industry.

**Governor's Workplace Safety Award** – The Minnesota Safety Council presented Minnesota Energy Resources with the Meritorious Achievement Award as part of the Governor's Workplace Safety Awards program, which recognizes Minnesota employers for excellence in safety.

**Most Responsible Companies** – Corporate Responsibility Magazine included WEC Energy Group in its list of 2016 Most Responsible Companies in the utilities industry sector. In making this selection, the magazine considered the company's approaches to energy and the environment, risk management, governance and compliance, employee relations, and human rights.

**Real Estate Vision Award** – Wispark LLC and the City of Oak Creek received the Milwaukee Business Journal's 2016 Vision Award for the successful Drexel Town Square development. The newspaper's Real Estate Awards program recognizes projects that make an impact on the vitality of southeast Wisconsin.

**ReliabilityOne Awards for Outstanding Electric Reliability in the Midwest, Outstanding Customer Reliability Experience** – For the sixth year in a row, PA Consulting Group honored We Energies for its excellence in delivering reliable electric service. We Energies also received a newly created recognition highlighting the utility's effective customer service and communications, through which employees have provided real-time and accurate information to customers during outages.

**Technology Transfer Awards** – Electric Power Research Institute (EPRI) recognized Kris McKinney, manager – environmental strategy, and the Environmental department at We Energies with two Technology Transfer Awards for work in applying environmental research and development, and leading technology transfer efforts on behalf of We Energies and the industry at large.

**Tree Line USA Utility** – The National Arbor Day Foundation, in cooperation with the National Association of State Foresters, presented this award to We Energies and Wisconsin Public Service, respectively, for their 18th and 21st consecutive years. The Tree Line USA program recognizes companies' efforts in providing dependable, reliable service, while using best-practice vegetation management techniques. The award for utilities has three requirements: a program of quality tree care, annual employee training in quality tree-care practices, and tree planting and public education programs.

**UWM Partner of the Year** – University of Wisconsin-Milwaukee recognized We Energies as "Partner of the Year" for its relationship with the school's Industrial Assessment Center, which helps small and midsize manufacturers conserve energy and cut costs. In four years, the center has audited more than 70 facilities and recommended \$6.5 million in energy and operational savings.

**Wisconsin Corporate Safety Award** – Together, the Wisconsin Department of Workforce Development and Wisconsin Safety Council presented We Energies' Port Washington Generating Station with this award, which honors leaders in the business community for achieving excellence in safety and health.

## Strategic initiatives

We are a leading Midwest electric and natural gas delivery company serving 4.4 million customers in Wisconsin, Illinois, Michigan and Minnesota. Our goal is to create long-term value for our stockholders and customers 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. The projects to rebuild or replace infrastructure that have been completed or are in progress include:

**System Modernization Program** – Peoples Gas is continuing its natural gas system modernization program by investing approximately \$280 million to \$300 million annually. The project involves replacing approximately 2,000 miles of Chicago's aging natural gas pipeline. Dated 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. It is now more than 20 percent complete.



### System Modernization and 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 project focuses on electric lines that currently have the lowest reliability in its system, primarily in heavily forested rural areas. Phase I of the SMRP was launched in 2014 with a projected investment of \$220 million and is expected to be completed in 2018. During Phase I, WPS is converting more than 1,000 miles of overhead power lines to underground and adding distribution automation equipment on 400 miles of lines.

The SMRP has yielded reliability improvements between 96 and 99 percent for outages originating on those portions of the distribution system placed underground. Due to these successful results, WPS proposed to expand its scope. Phase II of the SMRP was approved by the Public Service Commission of Wisconsin (PSCW) in February 2017. Phase II will add 960 miles of lines to be moved underground between 2018 and 2021, with estimated capital expenditures of about \$210 million. Environmental fieldwork and related permitting activities are scheduled to begin during the summer of 2017.

### Other key improvement projects underway or recently completed include:

**Upper Michigan Energy Resources Corp. (UMERC)** – UMERC, a stand-alone utility in the Upper Peninsula of Michigan, became operational effective Jan. 1, 2017, and holds the electric and natural gas distribution assets previously held by We Energies and WPS that are located in the Upper Peninsula of Michigan. The company has filed an application with the Michigan Public Service Commission proposing an estimated \$275 million investment in approximately 180 megawatts (MW) of natural gas-fueled generation. The proposed facilities would use electric generators called reciprocating internal combustion engines (RICE) to allow for reliable, efficient and flexible operations. The new units are expected to begin commercial operation in 2019 and should allow for the retirement of Presque Isle Power Plant no later than 2020.

**Environmental upgrade at Weston 3 power plant** – An emission control technology called ReACT™ (Regenerative Activated Coke Technology), installed at WPS generating unit Weston 3 in 2016, is helping to meet the requirements of a consent decree agreed to between WPS and the U.S. Environmental Protection Agency. ReACT™ captures more than 90 percent each of sulfur dioxide (SO<sub>2</sub>) and mercury emissions, as well as more than 20 percent of nitrogen oxides (NO<sub>x</sub>). ReACT™ is helping Weston 3 to comply with all environmental regulations and permits. In combination with Weston 3's existing fabric filter bag house, low NO<sub>x</sub> burners, over-fire air system and mercury control system, ReACT™ is assisting in WPS' compliance with air pollution regulations, as well as helping to maintain a balanced generation portfolio.

**Rochester Natural Gas Pipeline** – Minnesota Energy Resources will add approximately 13.1 miles of new natural gas pipeline west and south of Rochester in Olmsted County, Minnesota. The expansion will connect two of our existing pipelines, improving reliability and allowing for anticipated business growth in the Rochester area. The Minnesota Public Utilities Commission approved the proposed route in May 2017, and construction is schedule to be completed in phases through 2022.

**Twin Falls** – In 2016, We Energies' Twin Falls hydroelectric plant began producing clean and reliable renewable energy with a new powerhouse. Built on the Wisconsin side of the Menominee River near the Upper Peninsula of Michigan, it replaces the original powerhouse constructed in 1912. The new facility uses more efficient turbine technology that has increased the generating capacity by 50 percent and incorporates design features to enhance fish protection. The previous structure is scheduled for demolition during 2017.

**Fuel flexibility initiative at two Oak Creek units** – With approval from the PSCW, We Energies has made changes at Elm Road Generating Station 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 bituminous coal mined from the eastern U.S., but the price of bituminous coal increased relative to the PRB coal in recent years. In 2016, this project resulted in operational flexibility and enabled 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 customers. The project includes a \$23 million projected investment for plant modifications through 2017 and a \$52 million investment for storage and fuel handling.

### Financial discipline

A strong adherence to financial discipline is essential to meeting our earnings and dividend growth projections and maintaining a strong balance sheet, stable cash flows and quality credit ratings. Since the June 2015 acquisition of Integrys, we have achieved a nearly 6 percent reduction in operations and maintenance expenses. In 2016, we achieved our primary financial goal of earning the allowed return on equity at each of our utilities, and our net income and earnings per share set new high records.

We follow an asset management strategy that focuses on investing in and acquiring assets consistent with our strategic plans. In June 2017, we acquired Bluewater Natural Gas Holding LLC, owner of an underground storage facility in St. Clair County, Michigan, that can provide approximately one-third of the storage needs of WEC's natural gas distribution utilities in Wisconsin. The purchase is expected to yield substantial savings to We Energies and WPS natural gas customers over time. Bluewater, with interconnections to the Chicago and Dawn, Ontario, hubs, will enter into long-term service agreements with the utilities.

**Top Quartile by 2020 (TQ-20)** – Among our efforts to maintain both financial discipline and high performance standards, the TQ-20 initiative is driving improvements in operations and maintenance, work management, equipment monitoring and outage management across our electric generation fleet. We Energies launched this initiative in 2014 and extended it to WPS following the acquisition. The changes implemented as a result have helped our generation facilities to reduce nonfuel operating costs and maintain a

competitive advantage while continuing to meet safety goals, environmental regulations and permit limits.

### 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.

**Enhancing customer experience across utilities** – A large project is underway to leverage both technology and process design to benefit our customer care systems. In 2016, a common customer information system, new phone and dispatch systems, and standardized processes were implemented at WPS, Minnesota Energy Resources and Michigan Gas Utilities. Implementation at Peoples Gas and North Shore Gas is scheduled for 2017, with potential 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.

### Meeting environmental regulations and reducing greenhouse gas emissions

Our companies have a long-standing commitment to environmental performance. Since the late 1980s, the generation fleet has shown a steady reduction of SO<sub>2</sub>, NO<sub>x</sub>, 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.

#### Our greenhouse gas reduction goal

Reducing greenhouse gases (GHG) is an integral component of our strategic planning process, demonstrating commitment to effective environmental stewardship while fulfilling an obligation to provide reliable energy to customers. We continue to strategically reshape our portfolio of electric generation facilities with investments that have improved environmental performance and reduced emissions from our operating fleet.

As the regulation of GHG emissions takes shape, our plan is to work with our industry partners, environmental groups, and the State of Wisconsin with a goal of reducing CO<sub>2</sub> emissions by approximately **40 percent below 2005 levels by 2030.**

We are taking a number of actions to pursue GHG reductions to meet our goal. Components of this approach include actions that maintain fuel diversity, reduce customer costs and achieve long term CO<sub>2</sub> reduction. Examples include repowering facilities from coal to natural gas, selling or retiring other coal-fueled units,

purchasing or installing additional natural gas generation, evaluating co-firing of natural gas in some of our coal-fueled units, continuing to evaluate possible future retirements of other coal-fueled units and evaluating alternative operating practices for existing power plants.

We Energies and WPS both have 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 well-positioned to comply with environmental regulations.

### Controlling costs for customers

We believe that our multi-emission reduction strategy will continue to achieve greater environmental benefit for lower cost. Voluntary environmental targets have improved the planning process for operating or replacing existing generating units and adding new units. The environmental targets are consistent with making further emission reductions and lowering costs for the future.



### Public benefits and renewable portfolio standard

Under Wisconsin Act 141, our companies must meet certain minimum requirements for renewable energy generation.

For 2016, We Energies was in compliance with its Wisconsin renewable energy commitment of 8.27 percent, and WPS was in compliance with its Wisconsin renewable energy commitment 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 2016. Customers who participated in energy efficiency programs in Wisconsin contributed toward saving a total of 343.3 million kilowatt hours and 20.5 million therms in their first full year.

Michigan's Public Act 295 required 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. In December 2016, Michigan enacted Act 342, which retains the 10 percent renewable energy portfolio requirement for years 2016 through 2018 and increases the requirement to 12.5 percent for years 2019 through 2020 and to 15 percent for 2021. Public Act 295 specifically

called for current recovery of costs incurred to meet the standards and provided for ongoing review and revision to ensure the measures taken are cost-effective. Customers who participated in energy efficiency programs in Michigan were able to contribute toward saving a total of 6.4 million kilowatt hours and 2.6 million therms in their first full year.

We Energies and WPS expect to continue to meet the renewable energy standards in 2017 and beyond with the help of the projects described below.

### Wind

- Glacier Hills Wind Park – 90 turbines with an installed capacity of 162 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 – Two wind turbines, each generating 660 kilowatts, in Byron, Wisconsin

### Biomass

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

### Beneficial use of combustion products

Our electric energy companies are committed to the continued beneficial use of combustion products. Efforts continue to maintain and increase use of the combustion products produced at power plants to minimize landfilling. Nearly 100 percent of We Energies and WPS combustion products (fly ash, spray dryer ash, bottom ash, gypsum and wood ash) were beneficially utilized in 2016. Combustion products are beneficially utilized when they are used to replace natural or manufactured construction materials as alternatives to conventional sand, gravel and crushed-stone aggregates, and in agricultural soil applications. This utilization also helps offset the environmental impacts associated with conventional material production processes.

Beneficial use of combustion products for We Energies and WPS has grown from 5 percent in the early 1980s to approximately **100 percent in 2016**.

## 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. Our 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).

### Corporate Governance Guidelines

Since 1996, our board of directors has maintained Corporate Governance Guidelines that provide a framework under which it conducts business. To maintain effective guidelines, the board's Corporate Governance Committee annually reviews the company's governance practices, taking into consideration discussions with stockholders as part of our stockholder outreach and engagement program, findings from industry surveys and benchmarking studies, and governance guidelines published by proxy advisors to ensure that the board is providing effective governance over the affairs of the company.

### Board of directors

Our board of directors is the governing body responsible for overseeing the corporation's identification of risks and business opportunities and 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 core competencies and needs of the board to determine its proper membership and size. In 2016, we had 13 members on our board.

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). 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, became the CEO, in addition to his election as a board director in January 2016.

The chair of the Corporate Governance Committee serves as the independent presiding director. In that role, the director presides at all meetings of the board at which the chairman is not present and at executive sessions of the independent directors; serves as liaison between the CEO and the independent directors under most circumstances, although each individual director has full access to the CEO; has authority to call meetings of the independent directors; reviews and provides input to meeting agendas for the board and its committees; reviews meeting schedules to assure there is sufficient time for discussion of all agenda items; reviews all proposed changes to committee charters; and leads the annual board evaluation.

### Director selection

The board's Corporate Governance Committee screens and evaluates director candidates, including those recommended by stockholders, in the context of the board as a whole, with the goal of recommending nominees with diverse backgrounds and experience that, together, can best perpetuate the success of WEC Energy Group's business and represent stockholder interests. In addition to evaluating director nominees on the basis of director candidate criteria and independence, as described in the Corporate Governance Guidelines, the Corporate Governance Committee has determined that, in order for the board to effectively carry out its oversight function, the board should be comprised of directors who collectively possess core competencies, as identified through the board succession planning process. More information about the board's core competencies can be found in our [2017 proxy statement](#).

WEC ENERGY GROUP BOARD OF DIRECTORS



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



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



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



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



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



**Allen L. Leverett**,\*\*\* director since 2016, president and chief executive officer, WEC Energy Group Inc.



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



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



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



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



**Gale E. Klappa**\*\* director since 2003, non-executive chairman of the board, WEC Energy Group Inc.



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



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

\*William J. Brodsky retired as chairman of CBOE Holdings Inc. and the Chicago Board Options Exchange effective Feb. 28, 2017.

\*\*Gale E. Klappa retired as chief executive officer on May 1, 2016, and became non-executive chairman of the board.

\*\*\*Allen L. Leverett was appointed to the board of directors in January 2016 and succeeded Klappa as chief executive officer on May 1, 2016.

FINANCIAL EXPERTISE

**6** Directors on the Audit Committee are **6** financial experts

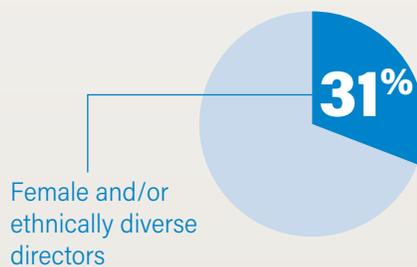
CEO EXPERIENCE

**9** OF **13** Directors are **current** or **former CEOs**

INDEPENDENCE

**11** OF **13** Directors are **independent**

DIVERSITY

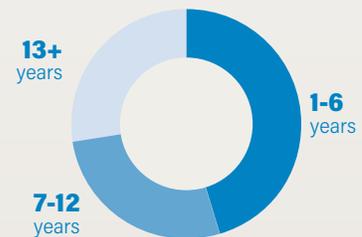


**3** Directors are **women**

**2** Directors are **African-American**

BALANCED TENURE

Independent directors years of service



REFRESHMENT

**5** new independent directors elected in the past five years



### 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 2016, 11 of its 13 directors were independent.

### 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 committees:

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

All committees, except the Executive Committee, operate under a charter approved by the board and are composed of independent directors. The Executive Committee includes the non-executive chairman and CEO of the company, who are not independent. The Executive Committee did not meet in 2016.

### 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 effectiveness and 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 non-management 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 annually reviewing the committee's compensation philosophy; (2) reviewing and determining the compensation paid to executive officers (including base salaries, incentive compensation and benefits); (3) overseeing the 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 non-management directors. The Compensation Committee meets with the Corporate Governance Committee annually to review the compensation package of the non-management directors and to determine the appropriate amount of such compensation.

All members of the Compensation Committee are independent. No member of the Compensation Committee is a current or former employee of the company. The Compensation Committee has the authority to retain advisers, including compensation consultants. At the expense of WEC Energy Group, the Compensation Committee retained Frederic W. Cook & Co. to analyze and help develop the company's executive compensation program for 2016, and to assess whether the compensation program is competitive and supports the committee's objectives. Frederic Cook also assessed and provided recommendations on non-management director compensation.

## 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 regular 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, technology security (cybersecurity) and ethical conduct, as well as steps taken to monitor and control such exposures. The Finance Committee discusses our financial risk-assessment and risk-management policies, and provides oversight of insurance matters to support the proper function of our risk-management program. Both committees have direct access to, and meet as needed with, company representatives without other management present to discuss matters related to risk management.

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 an Enterprise Risk Steering Committee, composed of senior level management employees, whose purpose is to foster an enterprisewide approach to managing risk and compliance. The committee regularly reviews our key risk areas and provides input to the development and implementation of effective compliance and risk-management practices, including external audits. 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, 2016. In compliance with the New York Stock Exchange (NYSE) corporate governance listing standards, we filed the certification of our CEO with the NYSE on June 3, 2016.



## Stockholders' input

The company provides stockholders with the opportunity to submit nominations for director candidates and stockholder proposals, as described in the company's 2017 annual meeting proxy statement. Stockholders may 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.

Our annual report includes an overview of company results and operations. Our annual meeting, available via webcast, allows questions and comments. The 2018 annual meeting of stockholders is tentatively scheduled for May 3, 2018.

As part of our stockholder outreach and engagement program, which is more fully described in our 2017 annual meeting proxy statement, 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.

➔ More information for investors, including presentation materials, can be found at [www.wecenergygroup.com/invest/investor.htm](http://www.wecenergygroup.com/invest/investor.htm).

## Ethics and compliance

The Code of Business Conduct is a collection of guiding principles that sets the ethical standards for our company and assists in decision-making to ensure the correct path is chosen.

### Policy expectations

Employees have a responsibility to preserve the ethical standards of our company as it conducts business affairs, even when no laws or regulations are involved. We have policies in place, such as the Code of Business Conduct, that address situations that could lead to corruption, bribery or other improper or illegal behavior on the part of employees. In many cases, the policies referred to in the code go beyond legal requirements.

All new employees receive Code of Business Conduct and other core compliance training to be completed within 30 days of hire. To increase the level of awareness and reaffirm our commitment to high standards of legal and ethical conduct, all employees are required to annually confirm their personal commitment to compliance. We have 100 percent completion of compliance training and affirmation.

### Program elements

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. Key responsibilities of the ethics and compliance program include:

- Establish the scope and facilitate the growth of an effective ethics and compliance program.
- Administer the Code of Business Conduct and related policies and procedures.
- Manage a confidential reporting system, in which employees may choose to remain anonymous, to receive and respond to allegations of violations of the Code of Business Conduct.
- Allocate resources to align with the corporate risk profile.
- Provide guidance and advice to employees on policy questions and ethics and compliance matters.
- Protect employees who make good-faith allegations of misconduct with strong nonretaliation provisions.
- Provide regular education on ethics and business conduct standards.
- Ensure an effective communication program is in place.
- Provide regular reports to the Audit and Oversight Committee of the board of directors.
- Conduct periodic assessments of the effectiveness of the ethics and compliance program.

Elements of the ethics and compliance program are aligned with the criteria articulated in the Federal Sentencing Guidelines to demonstrate an effective program. Annual review of program effectiveness is reported to the Audit and Oversight Committee of our board of directors.

### Risk assessments

Audit Services conducts a semiannual enterprise risk assessment (March and September), the results of which are reviewed with the Enterprise Risk Steering Committee. The Enterprise 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.

### Communication and training

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 rules for identified personnel. Providing leaders the appropriate resources to continue effectively addressing and preventing ethical misconduct and noncompliance also remains a priority. Materials for leaders to use to guide discussions with their staff about ethics and compliance matters are frequently 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.

# Workforce

The bedrock of the company, our employees work tirelessly to achieve optimal operation results with a customer focus. We value their contributions and develop their talent in support of a strong, skilled workforce.

## Diversity and inclusion

Our commitment to diversity and inclusion is more than following policies and procedures. It is an integral part of our company's culture. We value diversity as an opportunity to strengthen our company's success. We are committed to maximizing both individual contributions and organizational effectiveness through the diversity of our workforce.

For this purpose, we:

- Support 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 the global energy marketplace.

We encourage diverse workforce development by fostering inclusion and equal opportunity. Diversity and inclusion are values and strengths that drive success and help 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.

We support and promote business resource groups, such as the African-American Business Resource Group, which foster an atmosphere of inclusion and engage employees in using their talents and interests to support the company's strategic goals. These groups strengthen alignment throughout the company and, at times, our outside communities. They provide opportunities for professional and leadership development as well as diverse insights into business solutions.

In addition, WEC Energy Group is an active member of the Wisconsin Energy Workforce Consortium (WEWC), a nonprofit consortium of electric, natural gas and nuclear utilities and their associations. WEWC teams with secondary and post-secondary educational institutions and the workforce system to create workable solutions to address the need for a qualified, diverse workforce. Our involvement includes participation on the career awareness and diversity taskforce subcommittees. Other efforts include executive and informal mentoring programs and inclusion training for supervisors.



## WEC Energy Group Workforce (Year ended Dec. 31)

Company	Number of employees	Female	Minority	Represented
Michigan Gas Utilities	163	17%	5%	67%
Minnesota Energy Resources	221	13%	5%	19%
North Shore Gas	165	11%	27%	74%
Peoples Gas	1508	17%	59%	67%
We Energies	3505	26%	15%	75%
Wisconsin Public Service	1224	15%	2%	71%
Wisconsin River Power Company	6	0%	0%	100%
WEC Business Services	1376	50%	19%	0%
Wispark	2	50%	50%	0%
<b>Total</b>	<b>8170</b>	<b>26%</b>	<b>22%</b>	<b>59%</b>

## 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 collaborate with all unions represented. We hold regular labor and management meetings, as well as regular meetings of executive leadership and union leaders, to discuss and resolve business issues. Our companies also have relationships with various trade union organizations.

### Represented employees (Year ended Dec. 31)

Local union (AFL-CIO)	Expiration date of current labor agreement
No. 2150, International Brotherhood of Electrical Workers	Aug. 15, 2017
No. 420, International Union of Operating Engineers	April 16, 2021 and Sept. 30, 2017
No. 2006, Unit 1, United Steel Workers	April 30, 2017
No. 2006, Unit 3, United Steel Workers	Feb. 28, 2018
No. 417, Utility Workers Union of America	Feb. 15, 2019
No. 31, International Brotherhood of Electrical Workers	May 31, 2020
No. 12295, United Steelworkers of America	Jan. 15, 2020
No. 510, International Brotherhood of Electrical Workers	Oct. 31, 2020
No. 18007, Utility Workers Union of America	April 30, 2018
No. 18007(c), Utility Workers Union of America	July 31, 2018
No. 2285, International Brotherhood of Electrical Workers	June 30, 2019
No. 1147, International Brotherhood of Electrical Workers	April 7, 2018



Represented employees account for **59%** of the workforce.

## Human rights

We support the principles of human rights as outlined in the Universal Declaration of Human Rights. We are committed to maintaining a culture that supports human rights, and we 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 labor laws, which include:

- Freedom of association and collective bargaining
- Child labor
- 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 laws, or 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.

We ensure compliance with federal and state 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 Code of Business Conduct, or labor 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 human rights-related policies, while our executive vice president of human resources and organizational effectiveness is responsible for the oversight and implementation of these policies.

## 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 to both full- and part-time employees. 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/PTO days
- Employee retirement savings plan – 401(k)
- Vision insurance
- Service awards
- Adoption assistance
- Accidental death and dismemberment insurance
- Business travel accident insurance
- Health savings account
- Flexible spending accounts

## Talent development

Strategic talent development is a business driver for WEC Energy Group. We focus on growing a superior organization by attracting, selecting, onboarding and developing the right talent to meet business needs.

We use behavioral-based interviewing to identify top talent, and our recruitment strategy is multifaceted. The company has built strong relationships with high schools, colleges and universities in the areas it serves, and invests in programs such as INROADS, City Colleges of Chicago Gas Utility Worker Program, Wisconsin Regional Training Program and Cristo Rey Work Study Program. 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 have strong ties with community organizations and local government workforce development programs to help find diverse talent. 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 four years. Our companies also partner with military organizations and veteran groups to attract people with technical and leadership skills.

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 2016, contributions were made to the Milwaukee Urban League, Fox River Valley Pipe Trades Education Foundation, Center for Energy Workforce Development and the Chicago Urban League. Our companies also supported many accredited educational institutions within our service areas. In addition to charitable donations, employees are active in community events that promote careers in energy to diverse populations, including school-based mentor programs, along with a variety of outreach efforts and career fairs.

### Peoples Gas launches training program with Chicago Public Schools

In 2016, Peoples Gas partnered with Chicago Public Schools and created the Gas Utility Training Program for 11th- and 12th-graders. The three phases of this program – explore, experience and apply – span an 18-month period. Students learn more about the natural gas industry, entry-level job training requirements and necessary soft skills required to be effective in a workforce.

This program also offers a paid six-week summer internship for those students entering the 12th grade. Those who graduate from the course will receive a certificate of completion demonstrating they have the technical knowledge and specialized training to apply for entry-level positions in the utility industry.



**3** Chicago high schools



**50+**

11th-12th grade students

**18-month program**

Graduates are able to apply for entry-level positions in the utility industry.

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. Over the next five years, more than 44 percent of the employees at WEC Energy Group companies will be eligible to retire. Succession planning and internal talent development are integral components of the workforce planning process.

As part of a proactive approach to ensure continuity of service delivery, individual development plans are completed on an annual basis by employees to identify their short- and long-term career interests. Development is structured to meet the needs of the individual's career interests and our companies' business objectives.

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.

### 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 objectives, 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. Every year, our companies publish "Top 10" goals aligned with the core competencies to guide employees in their work. Employee development through performance reviews and individual development plans takes place on a regular basis.

### Training and education

Talent management is a primary focus for our companies, and employee training and development of both technical and leadership skills gives us a sustainable competitive edge for the future. Training, mentoring and coaching are key elements in improving employee performance and, therefore, improving customer service, safety, corporate performance and systems reliability.

In 2016, more than 200,000 classroom and e-learning training events took place throughout our companies. More than half of those learning events were delivered online, including annual ethics training, safety refreshers, operator qualification training and other job skill training. Leadership development also was 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 courses to improve communication and presentation skills. Assessment tools for individual contributors and leaders also were 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.

### Leadership development

Development of leadership skills remains a top priority. The corporate leadership development program begins at the supervisor level with a mandatory Foundations of Leadership program for new supervisors. The curriculum includes training on leadership, employee engagement, performance management, diversity and inclusion, labor relations, 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 begin and end this program with a focus on the feedback they have 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 directors and senior leaders of the company, consisting of executive education tailored to align with specific leadership requirements.

# 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 and the public safe. For more than 10 years, our companies have improved their safety records by reducing exposures through the implementation and improvement of key programs. These efforts, in turn, have helped reduce the total number of Occupational Safety and Health Administration (OSHA)-recordable incidents and the total number of lost-time incidents by more than 66 and 62 percent, respectively. 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. The unwillingness to accept that injuries have to occur is an important part of our cultural platform, an ongoing safety commitment that we refer to as "Target Zero."

## Company safety structure

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. Through Safety Action Teams and Regional Safety Teams, every employee has a voice. More employees are becoming actively engaged in safety, leading to new ideas and improvements in system designs, programs, tools and procedures.

Our Executive Safety Committee directs our safety and health strategy and works to ensure consistency across workgroups. 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. 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.

Management and represented employees work together to identify risks and prevent injuries. 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 speak up and report on safety issues.

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 injury risks to keep each other safe.

# Target Zero

*Living and working safely*

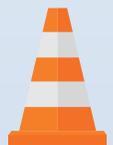
## Injury trend

Year*	OSHA-recordable incidents	Lost-time incidents
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
<b>2016</b>	<b>163</b>	<b>49</b>
2017 goal	135	34

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

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.

The year 2016 was the safest on record for several of our companies, as well as at the aggregate company level.



### 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 events and 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 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 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 and to increase physical activity, where appropriate.

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.

### 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.

### 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



### Putting safety skills to the test

In October 2016, the 33rd Annual International Lineman's Rodeo brought together 284 apprentices and 206 three-person teams from all 50 states as well as Great Britain, Jamaica and Australia. The competition featured events based on traditional lineman tasks and skills, such as pole climbing and hurt-man rescue, all with an emphasis on safety and efficiency. We Energies sent four apprentices and three journeyman teams. Two of the teams did exceptionally well, bringing home third- and fifth-place awards and highlighting the company's focus on safe work practices.

**Contractor safety expectations**

WEC Energy Group companies 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**

The most common injuries across the company continue to be strains and sprains. Companywide, safety teams analyze tools, equipment and job techniques based on ergonomics to prevent such injuries. Outputs include handbooks on implementing tools and videos to demonstrate proper tool use. Stretching and strengthening programs also are used for employees.

If employees are injured with a sprain or strain, or something more serious, the company has an advocacy program in which medical nurses work with these employees to get the best-quality medical care possible. They will continually assist the employees until they are returned to their normal job functions or until they have reached maximum medical improvement.

**Safety commitment**

Our companies' leadership and union leadership work together to reinforce "Target Zero" safety culture and provide a safe work environment. Each employee is urged 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 the communities in which they live.

**Safety Charity Challenge**

To further foster a positive safety culture, WEC Energy Group holds the Safety Charity Challenge, a quarterly challenge in which employees whose business unit meets its safety improvement goals may vote on where our foundations can make donations 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.

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In 2016, WEC Energy Group subsidiaries  
and their foundations contributed a total of

**\$72,500**

to local charities through the Safety Charity Challenge.

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**Employee health and wellness**

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.

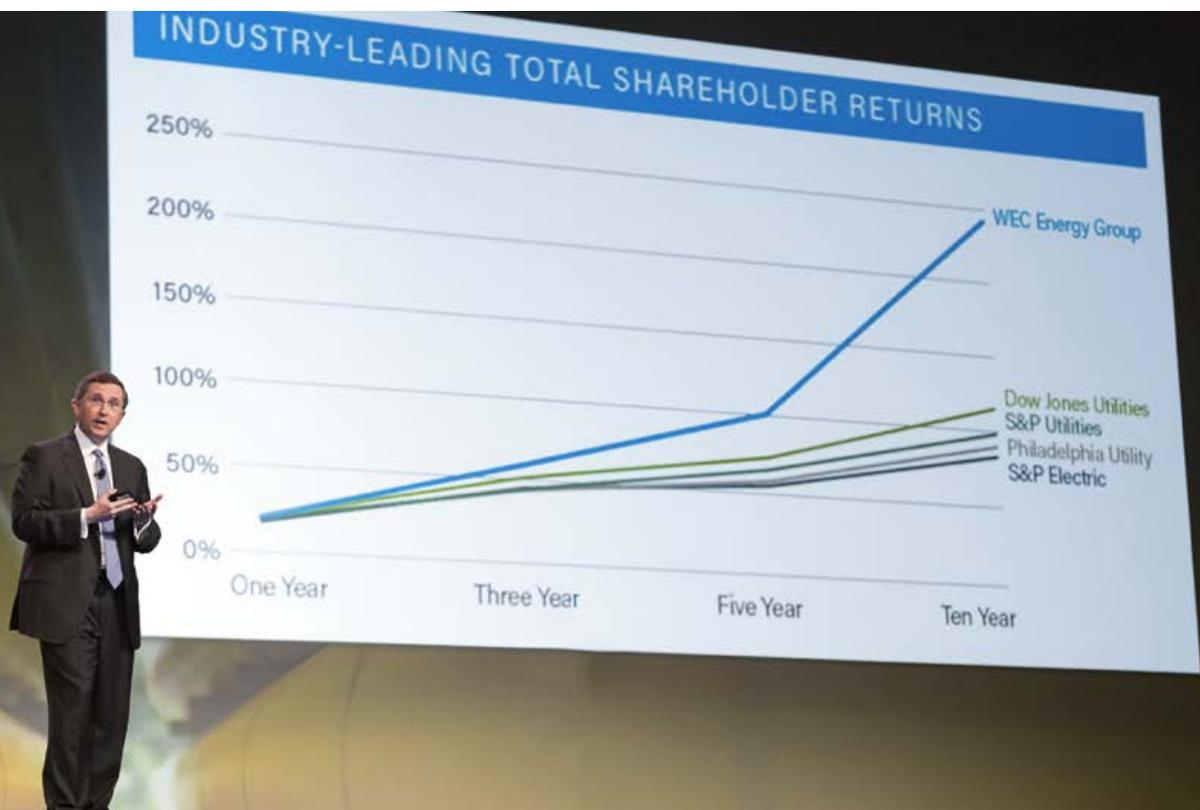
Employees are encouraged to receive preventive examinations and proactively care for their health. Condition-management support and health coaching for lifestyle issues are available to employees who participate in the health plan. A free onsite health screening in many locations and/or incentives encourage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

Our companies also work to provide employees a safe, drug-free environment. Employees are 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), a free benefit for all employees and their families, administered by an external counseling agency. EAP is a confidential way to get professional problem assessment, referrals, short-term counseling and treatment monitoring.

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 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.

# Financial Performance



At WEC Energy Group, we maintain efficiency and financial discipline to benefit our operations, customers and stockholders.

2016

# Financial highlights

Delivered solid earnings growth, generated strong cash flow and increased the dividend for the 13th consecutive year.

Achieved fully diluted adjusted earnings per share of

**\$2.97\***

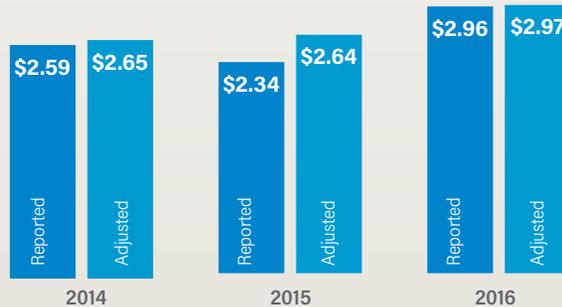
\* Excludes net \$0.01 per share impact of the Integrys acquisition. See table (right) for a full GAAP reconciliation.



Returned more than **\$624 million** to WEC Energy Group stockholders during 2016 through dividends.

Earned the allowed rate of return at each of our regulated utility subsidiaries.

## Earnings per share<sup>1</sup>



## Earnings per share GAAP reconciliation

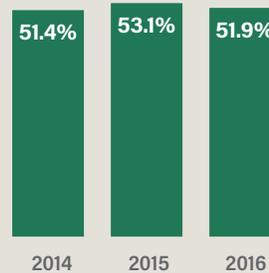
	2014	2015	2016
WEC Energy Group GAAP EPS	\$2.59	\$2.34	\$2.96
Acquisition costs (post-tax)	\$0.06	\$0.30	\$0.01
WEC Energy Group adjusted EPS	\$2.65	\$2.64	\$2.97

1. Adjusted earnings per share exclude acquisition costs totaling 6 cents per share, 30 cents per share and 1 cent per share in 2014, 2015 and 2016, respectively. As a result of the June 29, 2015, acquisition of Integrys, the operations of Integrys are included in both reported and adjusted earnings per share for the last two quarters of 2015 and all of 2016.

## Dividends per share



## Year-end debt to total capital<sup>3</sup>



## Dividend increase

In January 2016, we increased the quarterly dividend to \$0.495 per share, raising the annual dividend to \$1.98 per share. We again raised the quarterly dividend in January 2017 to \$0.52 per share, which is equivalent to an annual rate of \$2.08 per share. In addition, the board of directors affirmed our dividend policy that continues to target a dividend payout ratio of 65 to 70 percent of earnings.

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

3. Attributes \$250 million of WEC Energy Group's 2007 Series A Junior Subordinated Notes to common equity. A majority of the rating agencies currently attribute at least 50 percent common equity to these securities. For further reconciliations, see Capitalization structure on page 34.

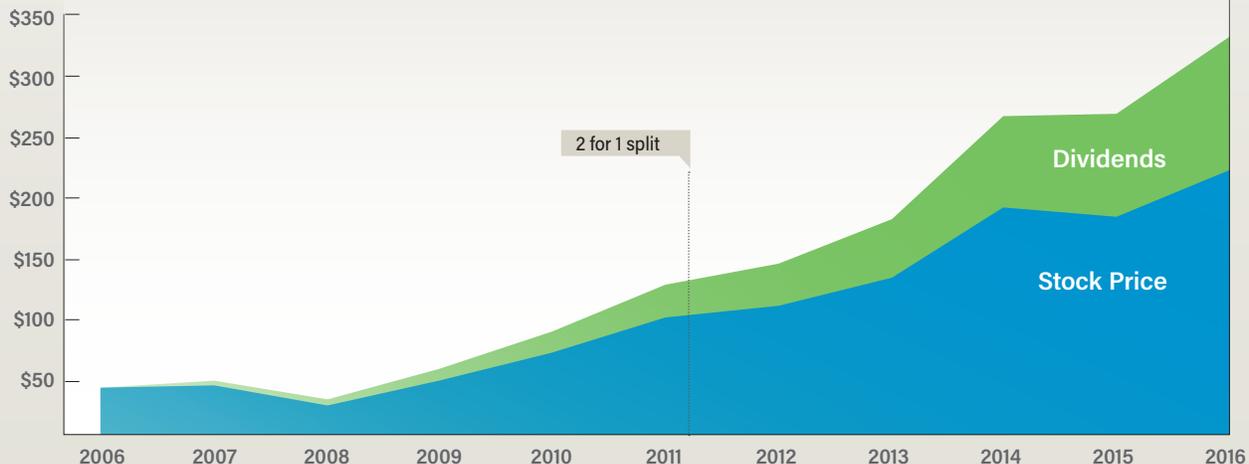
FINANCIAL HIGHLIGHTS CONTINUED



A \$100 investment has grown to a total value of **\$337**

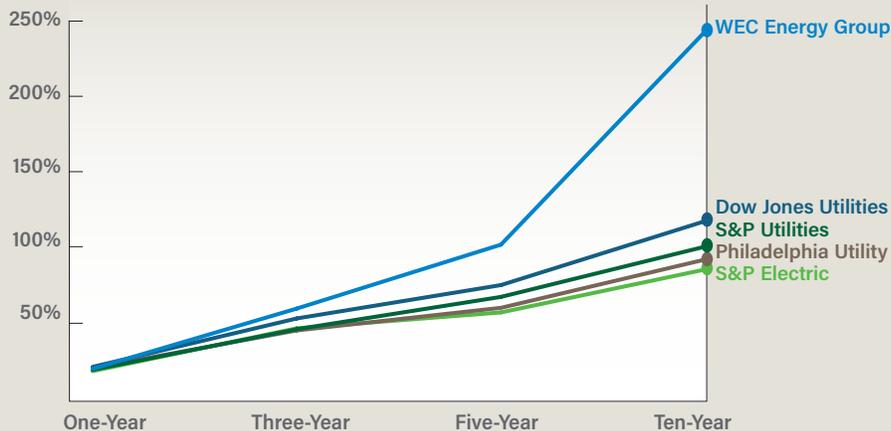
**Total stockholder return**

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.



**Long-term stockholder returns**

In 2016, 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.



## Business of the company

Wisconsin Energy Corp. was incorporated in the state of Wisconsin in June 1981 and became a diversified holding company in 1986. On June 29, 2015, Wisconsin Energy Corp. acquired 100 percent of the outstanding common shares of Integrys Energy Group Inc. and changed its name to WEC Energy Group Inc. We maintain our principal executive offices 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 distribution 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, 2016, 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 Corp. (WPS), including operations in the Upper Peninsula of Michigan that were transferred to Upper Michigan Energy Resources Corp. (UMERC). In December 2016, both the Michigan Public Service Commission (MPSC) and the Public Service Commission of Wisconsin (PSCW) approved the operation of UMERC as a stand-alone utility in the Upper Peninsula of Michigan. Effective Jan. 1, 2017, all of We Energies' and WPS' electric and natural gas distribution assets and customers located in the Upper Peninsula were transferred to UMERC, with the exception of the Tilden Mining Company, which continues to be a customer of We Energies.

As of Dec. 31, 2016, these companies served approximately 1,596,700 electric customers and 1,437,900 natural gas customers. This segment also includes steam service to approximately 400 We Energies steam customers in metropolitan Milwaukee, Wisconsin, as well as 50 percent interest in Wisconsin River Power Company, which owns and operates two hydroelectric facilities and an oil-fired combustion turbine facility.

**Illinois segment:** The Illinois segment consists of the natural gas utility and nonutility operations of The Peoples Gas Light and Coke Co. and North Shore Gas Co. The approximately 1,003,400 natural gas customers served by Peoples Gas and North Shore Gas as of Dec. 31, 2016, were located in Chicago and the northern suburbs of Chicago. Peoples Gas also owns and operates a 38.3-billion-cubic-foot (Bcf) natural gas storage field in central Illinois.

**Other states segment:** The other states segment includes the natural gas utility and nonutility operations of Minnesota Energy Resources Corp. and Michigan Gas Utilities Corp. These companies served approximately 407,000 natural gas customers as of Dec. 31, 2016. Minnesota Energy Resources serves customers in various cities and communities throughout Minnesota, and Michigan Gas Utilities 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 Federal Energy Regulatory Commission (FERC) and certain state regulatory commissions. ATC owns, maintains, monitors and operates electric transmission systems mainly in Wisconsin, Michigan, Illinois and Minnesota.

In addition, we own approximately 75 percent of ATC Holdco LLC, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC's traditional footprint. As of Dec. 31, 2016, operations were not significant. However, in January 2017, a subsidiary of ATC Holdco and Arizona Electric Power Cooperative entered into a joint operating agreement to develop transmission projects in Arizona and the Southwestern United States.

**We Power segment:** We Power, through wholly owned subsidiaries, owns and leases certain generation facilities to We Energies. Port Washington Generating Station Unit 1 and Unit 2, both natural gas-fired generating units, are being leased to We Energies under long-term leases that run for 25 years. Elm Road Generating Station Unit 1 and 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 LLC, Bostco LLC, Wisvest LLC, Wisconsin Energy Capital Corp., WEC Business Services LLC and WPS Power Development LLC.

Bostco and Wispark develop and invest in real estate, and combined they had \$69.0 million in real estate holdings at Dec. 31, 2016. WEC Business Services 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 owns distributed renewable solar projects. We completed the sale of Integrys Transportation Fuels, which provides compressed natural gas products and services in multiple states, in February 2016. In April 2016, as part of the sale of We Energies' Milwaukee County Power Plant, we sold the chilled water generation and distribution assets of Wisvest, which provided chilled water services to the Milwaukee Regional Medical Center.

# Operations

## Electric utility operations in Wisconsin

### Electric supply

Our electric supply strategy is to provide our customers with energy from plants using a diverse fuel mix that is expected to maintain a stable, reliable and affordable supply of electricity. Through our participation in the Midcontinent Independent System Operator (MISO) energy markets, 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 spot purchases in the MISO energy markets.

### Electric customers

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. Through Dec. 31, 2016, We Energies and WPS serviced electric customers in the Upper Peninsula of Michigan. Effective Jan. 1, 2017, We Energies and WPS transferred their electric customers and electric distribution assets located in the Upper Peninsula of Michigan to UMERG, a new stand-alone utility.

Electric customers (thousands)	2016	2015 <sup>1</sup>	2014
Residential	1,421.7	1,414.1	1,015.0
Small commercial/industrial	171.1	171.1	115.4
Large commercial/industrial	0.9	1.0	0.7
Other	3.0	3.1	2.5
<b>Total customers</b>	<b>1,596.7</b>	<b>1,589.3</b>	<b>1,133.6</b>
<b>Customers - average</b>	<b>1,593.1</b>	<b>1,584.4</b>	<b>1,130.7</b>

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

### Rated capacity by fuel type

(megawatts) <sup>1</sup>	2016	2015 <sup>5</sup>	2014
Coal	4,933	4,955	3,707
Natural gas – combined cycle	1,697	1,636	1,082
Natural gas/oil – peaking units <sup>2</sup>	1,413	1,412	962
Natural gas – steam turbine <sup>3</sup>	320	305	118
Renewables <sup>4</sup>	273	269	155
<b>Total</b>	<b>8,636</b>	<b>8,577</b>	<b>6,024</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Includes hydroelectric, biomass and wind generation.

<sup>5</sup> 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

	2016	2015	2014
<b>Company-owned generation units</b>			
Coal	45.7%	51.5%	55.2%
Natural gas – combined cycle	18.2%	14.6%	8.7%
Natural gas – steam turbine	0.9%	1.2%	0.2%
Natural gas/oil – peaking units	1.1%	0.6%	0.2%
Renewables	3.9%	3.4%	3.8%
<b>Total company-owned generation units</b>	<b>69.8%</b>	<b>71.3%</b>	<b>68.1%</b>
<b>Power purchase contracts</b>			
Nuclear	17.5%	20.5%	25.4%
Natural gas	1.7%	1.4%	2.1%
Renewables	2.8%	1.5%	2.7%
Other	2.1%	3.5%	0.9%
<b>Total power purchase contracts</b>	<b>24.1%</b>	<b>26.9%</b>	<b>31.1%</b>
Purchased power from MISO	6.1%	1.8%	0.8%
<b>Total purchased power</b>	<b>30.2%</b>	<b>28.7%</b>	<b>31.9%</b>
<b>Total electric utility supply</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Data is for years ended Dec. 31

### Natural gas utility operations in Wisconsin

We Energies and WPS maintain natural gas utility operations in Wisconsin. Effective January 1, 2017, WPS' natural gas customers and natural gas distribution assets located in the Upper Peninsula of Michigan were transferred to UMERC.

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 customers (thousands)

	2016	2015 <sup>1</sup>	2014
Residential	1,311.0	1,299.7	993.9
Commercial and industrial	124.3	123.4	93.3
Transport	2.6	2.6	1.8
<b>Total customers</b>	<b>1,437.9</b>	<b>1,425.7</b>	<b>1,089.0</b>
<b>Customers - average</b>	<b>1,429.8</b>	<b>1,417.8</b>	<b>1,081.5</b>

<sup>1</sup> 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, which began operations in 1850 and 1900, respectively. Peoples Gas and North Shore Gas customers are located in Chicago and the northern suburbs of Chicago.

Customers (thousands)	2016	2015
Residential	846.8	838.2
Commercial and industrial	47.1	46.2
Transport	109.5	107.8
<b>Total customers</b>	<b>1,003.4</b>	<b>992.2</b>
<b>Customers - average</b>	<b>1,005.3</b>	<b>982.3</b>

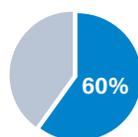
### Utility operations in other states

Our other states segment includes the natural gas utility operations of Minnesota Energy Resources and Michigan Gas Utilities. Minnesota Energy Resources serves customers in various cities and communities throughout Minnesota, and Michigan Gas Utilities serves customers in the southern portion of Lower Michigan.

Customers (thousands)	2016	2015
Residential	348.1	345.8
Commercial and industrial	34.1	33.8
Transport	24.8	23.0
<b>Total customers</b>	<b>407.0</b>	<b>402.6</b>
<b>Customers - average</b>	<b>402.8</b>	<b>401.5</b>

### Electric transmission segment - American Transmission Co.

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, 2016, our ownership interest in ATC was approximately 60 percent. In addition, we own approximately 75 percent of ATC Holdco LLC, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC's traditional footprint. As of Dec. 31, 2016, ATC Holdco LLC's operations were not significant.

### We Power segment - Power the Future (PTF)

All four PTF units were constructed under leases approved by the 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 rates as authorized by the PSCW, the MPSC 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 Elm Road Generating Station 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)

	2016	2015	2014
Wisconsin	\$ 1,027.0	\$ 884.2	\$ 770.2
Illinois	239.6	78.1	—
Other states	49.9	6.0	—
We Power	375.6	373.4	368.0
Corporate and other	(10.0)	(91.2)	(26.1)
<b>Total operating income</b>	<b>1,682.1</b>	<b>1,250.5</b>	<b>1,112.1</b>
Electric transmission	146.5	96.1	66.0
Other income, net	80.8	58.9	13.4
Interest expense	402.7	331.4	240.3
<b>Income before income taxes</b>	<b>1,506.7</b>	<b>1,074.1</b>	<b>951.2</b>
Income tax expense	566.5	433.8	361.7
Preferred stock dividends of subsidiaries	1.2	1.8	1.2
<b>Net income attributed to common stockholders</b>	<b>\$ 939.0</b>	<b>\$ 638.5</b>	<b>\$ 588.3</b>
<b>Diluted earnings per share</b>	<b>\$ 2.96</b>	<b>\$ 2.34</b>	<b>\$ 2.59</b>

### Consolidated earnings

Earnings increased \$300.5 million in 2016, primarily driven by the inclusion of a full year of Integrys results for 2016, compared to six months of Integrys earnings during 2015. There was also a decrease in acquisition costs recognized in 2016.

### Wisconsin segment operating income

Operating income at the Wisconsin segment increased \$142.8 million during 2016, compared with 2015. The increase was driven by a full year of operations at Wisconsin Public Service, compared to only six months in 2015, with the remaining increase related to favorable weather, positive fuel recoveries and rate increases at Wisconsin Gas and Wisconsin Public Service, offset by an increase in operation and maintenance expense. Operations and maintenance expense in 2016 included \$24.4 million of expense related to the earnings sharing mechanism in place for Wisconsin Electric Power Company and Wisconsin Gas.

### Illinois segment operating income

Operating income at the Illinois segment increased \$161.5 million during 2016, compared to 2015. The increase was primarily driven by the inclusion of Illinois operations for the full year in 2016, compared to only six months in 2015, with the remaining increase driven primarily by continuing investment in the gas system modernization program.

### Other states segment operating income

Operating income at the other states segment increased \$43.9 million during 2016, compared to 2015. The increase was primarily driven by the inclusion of operations for the full year in 2016, compared to only six months in 2015, with the remaining increase driven primarily by rate increases at Minnesota Energy Resources Corp. and Michigan Gas Utilities, as well as comparatively colder weather in the fourth quarter 2016.

### We Power segment operating income

Operating income at the We Power segment was up \$2.2 million when compared to 2015. This increase reflects additional investment at our Power the Future plants.

### Corporate and other segment operating income

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

### Electric transmission segment operations

Earnings from our ownership interest in ATC increased \$50.4 million when compared to 2015, primarily driven by the increase in our ownership interest from 26.2 percent to approximately 60 percent as a result of the acquisition of Integrys. In addition, lower equity earnings in 2015 were driven by an administrative law judge's initial decision in December 2015 related to the ATC return on equity reviews, which was later affirmed by a FERC order in 2016.

### Capital expenditures by operating segment (millions)

	2016	2015	2014
Wisconsin	\$ 910.9	\$ 950.3	\$ 715.0
Illinois	293.2	194.4	—
Other states	59.5	34.7	—
We Power	62.3	53.4	41.0
Corporate and other	97.8	33.4	5.2
<b>Total</b>	<b>\$ 1,423.7</b>	<b>\$ 1,266.2</b>	<b>\$ 761.2</b>

Data is for years ended Dec. 31

## FINANCIAL PERFORMANCE

The following table shows our capitalization structure as of Dec. 31, 2016, 2015 and 2014, 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:

### Capitalization structure (millions)

	2016	2016 adjusted	2015	2015 adjusted	2014	2014 adjusted
Common equity	\$ 8,929.8	\$ 9,179.8	\$ 8,654.8	\$ 8,904.8	\$ 4,419.7	\$ 4,669.7
Preferred stock of subsidiary	30.4	30.4	30.4	30.4	30.4	30.4
Long-term debt	9,158.2	8,908.2	9,124.1	8,874.1	4,170.7	3,920.7
Long-term debt – current	157.2	157.2	157.7	157.7	424.1	424.1
Short-term debt	860.2	860.2	1,095.0	1,095.0	617.6	617.6
<b>Total capital</b>	<b>\$ 19,135.8</b>	<b>\$ 19,135.8</b>	<b>\$ 19,062.0</b>	<b>\$ 19,062.0</b>	<b>\$ 9,662.5</b>	<b>\$ 9,662.5</b>
<b>Total debt</b>	<b>\$ 10,175.6</b>	<b>\$ 9,925.6</b>	<b>\$ 10,376.8</b>	<b>\$ 10,126.8</b>	<b>\$ 5,212.4</b>	<b>\$ 4,962.4</b>
<b>Debt to total capital</b>	<b>53.2%</b>	<b>51.9%</b>	<b>54.4%</b>	<b>53.1%</b>	<b>53.9%</b>	<b>51.4%</b>

Our corporation and subsidiaries paid  
**\$796.8 million**  
 in taxes during 2016,  
 which includes income,  
 payroll, sales and  
 other taxes.

## 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. 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 nonrepresented 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	
	2016	2015	2016	2015
<b>Change in benefit obligation</b>				
Benefit obligation as of Jan. 1	\$3,083.0	\$1,505.5	\$842.0	\$397.7
Obligation assumed from acquisition	-	1,594.0	-	493.0
Service cost	45.4	30.4	26.1	20.7
Interest cost	130.8	94.3	37.0	26.7
Participants' contributions	-	-	16.4	12.7
Plan amendments	(3.0)	-	(18.9)	-
Actuarial loss (gain)	71.7	14.6	(36.5)	(74.0)
Benefit payments	(269.1)	(156.0)	(49.1)	(36.2)
Federal subsidy on benefits paid	N/A	N/A	1.4	1.6
Plan curtailment	-	0.2	-	(0.2)
Benefit obligation as of Dec. 31	\$3,058.8	\$3,083.0	\$818.4	\$842.0
<b>Change in fair value of plan assets</b>				
Fair value as of Jan. 1	\$2,755.1	\$1,444.6	\$749.8	\$333.5
Assets received from acquisition	-	1,420.9	-	442.1
Actual return on plan assets	199.4	(62.1)	51.5	(15.6)
Employer contributions	23.8	107.7	4.9	13.3
Participant contributions	-	-	16.4	12.7
Benefit payments	(269.1)	(156.0)	(49.1)	(36.2)
Fair value as of Dec. 31	2,709.2	\$2,755.1	773.5	\$749.8
<b>Net liability</b>	<b>\$(349.6)</b>	<b>\$327.9</b>	<b>\$(44.9)</b>	<b>\$92.2</b>

## Plan assets

Current pension trust assets and amounts that 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.

The Wisconsin Energy Corporation pension trust target allocation is 35 percent equity investments, 55 percent fixed-income investments, and 10 percent private equity and real estate investments. The Integrys pension trust target allocation is 60 percent equity investments

and 40 percent fixed-income investments. The Wisconsin Energy Corporation OPEB trusts' target asset allocations are 60 percent equity investments and 40 percent fixed-income investments. The two largest OPEB trusts for Integrys have target asset allocations of 50 percent equity investments and 50 percent fixed income, and 45 percent equity investments and 55 percent fixed income, respectively. Equity securities include investments in large-cap, mid-cap and small-cap companies primarily located in the United States. Fixed-income securities include corporate bonds of companies from diversified industries, mortgage and other asset backed securities, commercial paper and U.S. Treasuries.

Pension and OPEB plan investments are recorded at fair value.

In January 2017, we contributed \$100.0 million to the pension plans. We expect to contribute an additional \$13.2 million to the pension plans and \$0.1 million to the OPEB plans in 2017, dependent upon various factors affecting us, including our liquidity position and possible tax law changes.

### Fair values ending Dec. 31, 2016 (millions)

Asset category	Pension				OPEB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3.7	\$ 58.0	\$ --	\$ 61.7	\$ 28.8	\$ 3.4	\$ --	\$ 32.2
Equity securities:								
U.S. equity	273.9	0.1	--	274.0	34.3	--	--	34.3
International equity	54.1	0.6	--	54.7	3.5	0.2	--	3.7
Fixed-income securities: <sup>1</sup>								
U.S. bonds	--	861.3	0.8	862.1	--	137.9	--	137.9
International bonds	--	75.9	--	75.9	--	8.8	--	8.8
Private equity and real estate	--	--	14.6	14.6	--	--	1.3	1.3
	<b>\$ 331.7</b>	<b>\$ 995.9</b>	<b>\$ 15.4</b>	<b>\$1,343.0</b>	<b>\$ 66.6</b>	<b>\$ 150.3</b>	<b>\$ 1.3</b>	<b>\$ 218.2</b>
Investments measured at net asset value				1,366.2				555.3
<b>Total</b>	<b>\$ 331.7</b>	<b>\$ 995.9</b>	<b>\$ 15.4</b>	<b>\$2,709.2</b>	<b>\$ 66.6</b>	<b>\$ 150.3</b>	<b>\$ 1.3</b>	<b>\$ 773.5</b>

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

# Environmental Performance



We Energies Twin Falls 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. Our 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 staff reports 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, Utility Water Act Group, Utility Solid Waste Activities 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 noncompliance. We also address supplier environmental performance in 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 identify potential environmental exposures and determine the necessary frequency of facility audits. A combined audit program began in mid-2015 to incorporate facilities from the legacy-Integrays operating companies with our existing facilities. Our internal environmental audit program includes the key elements of an effective environmental management system.

During 2016, we conducted 32 environmental compliance audits of Power Generation and Customer Operations facilities. The Environmental department also conducted two environmental permit construction inspections and 164 supplier endorsement reviews. Third-party audits and system reviews – for example, continuous emission monitoring systems – are conducted on an as-needed basis. Regulatory agencies from Wisconsin, Michigan and Illinois conducted 26 inspections at our companies' facilities.

Our energy companies' 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 their 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 reshaped our generation portfolio 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 \$62 million toward energy conservation in 2016. 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

In 2016, Wisconsin Public Service (WPS) completed the upgrade of 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<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), mercury and other emissions, complementing the controls previously installed at Weston 3: fabric filters, low NO<sub>x</sub> 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 to 8 have been retrofitted with selective catalytic reduction systems for NO<sub>x</sub> emissions removal and wet flue-gas desulfurization units (scrubbers) for SO<sub>2</sub> emissions removal. These projects, along with additional measures taken at other facilities, have resulted in a more than 90 percent reduction in SO<sub>2</sub> and NO<sub>x</sub> emissions combined when compared to 2000 emissions.

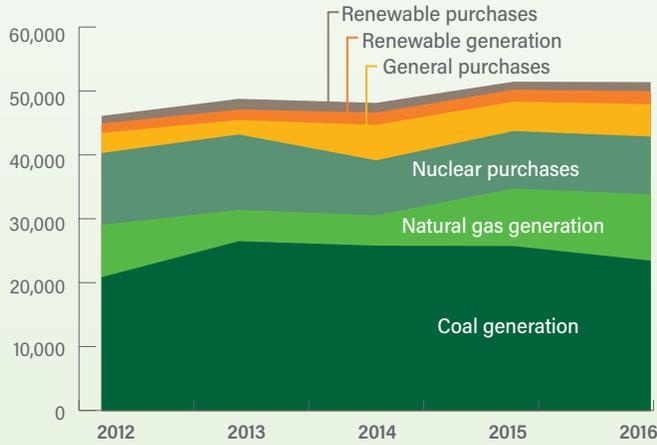
Elm Road Generating Station is equipped with new technologies for air-quality controls, including selective catalytic reduction systems, fabric filter baghouses, wet scrubbers and wet electrostatic precipitators.

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 also are able to capture more than 75 percent of the mercury from the Pleasant Prairie Power Plant and at the Oak Creek site.

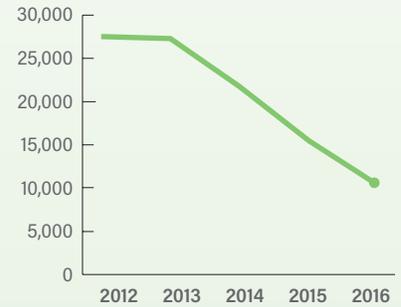
To reduce emissions of particulate matter, we installed high-efficiency fabric filters on generating units at the Oak Creek site, Presque Isle Power Plant and Valley Power Plant.

ENERGY AND EMISSIONS

Energy by source (GWh)



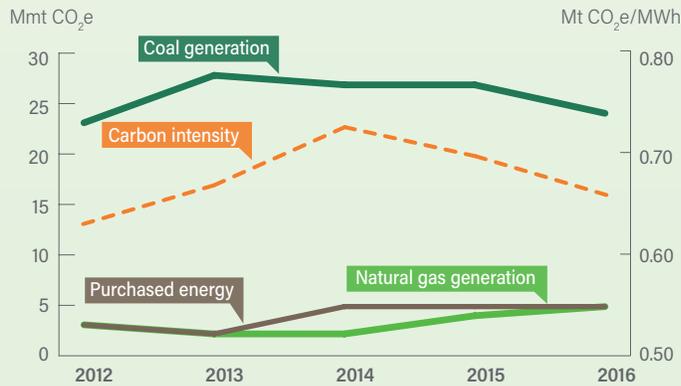
Sulfur dioxide (SO<sub>2</sub>) emissions (Mt)



Nitrogen oxide (NO<sub>x</sub>) emissions (Mt)

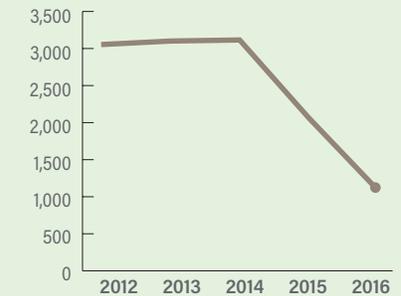


GHG emissions from electricity generation and purchases carbon dioxide equivalents (CO<sub>2</sub>e)

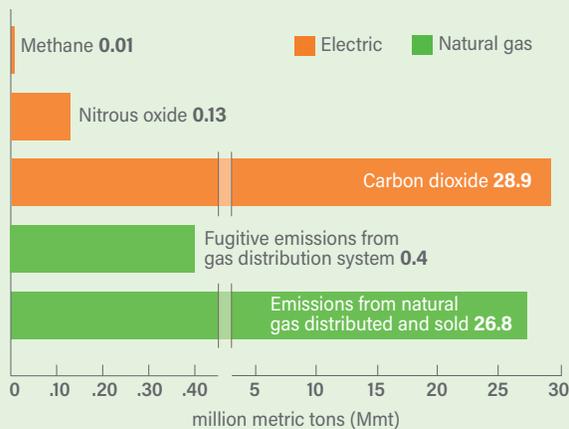


Note: This graph corrects the mislabeling of purchased energy and natural gas generation data in the 2015 Corporate Responsibility Report.

Particulate matter (PM) emissions (Mt)



2016 GHG emissions from electricity and natural gas distribution carbon dioxide equivalents (CO<sub>2</sub>e)

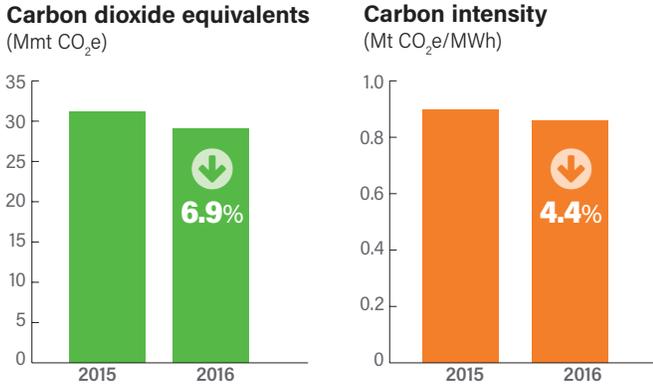


Mercury (Hg) emissions (kg)



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<sub>2</sub> controls (scrubbers) achieve further particulate removal.

**WEC Energy Group GHG emissions reductions in coal and natural gas generation**



**WEC Energy Group has established a GHG reduction goal as follows:**

As the regulation of GHG emissions takes shape, our plan is to work with our industry partners, environmental groups, and the State of Wisconsin with a goal of reducing CO<sub>2</sub> emissions by approximately 40 percent below 2005 levels by 2030.

**We have taken a number of actions already, including:**

- Re-powering the Valley Power Plant, which has a capacity of 272 MW, from coal to natural gas. This project, completed in 2015, reduced the CO<sub>2</sub> emission rate from the plant by more than 40 percent.
- Selling the Milwaukee County Power Plant in 2016, which facilitated its conversion from coal to natural gas.
- Receiving research and test exemptions to evaluate co-firing of natural gas in some of our coal-fueled units. Testing commenced in 2016.

**Our ongoing and future projects include:**

- Replacing the Presque Isle Power Plant in the Upper Peninsula of Michigan with an innovative natural gas generation technology known as reciprocating internal combustion engines (RICE) no later than 2020.
- Retiring the remaining coal-fueled Pulliam Power Plant units within the next several years.
- Continuing our evaluation of possible future retirements of other coal-fueled units.

**GHG and natural gas distribution**

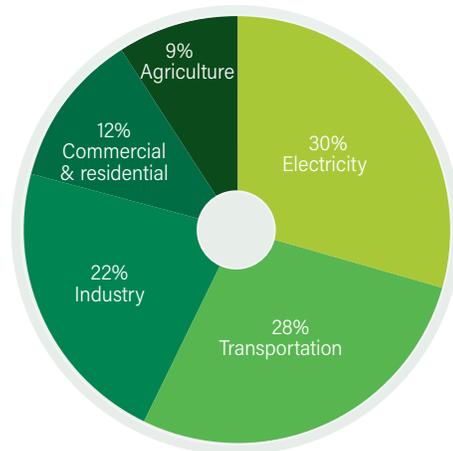
Maintaining more than 45,000 miles of natural gas mains and serving more than 2.8 million natural gas customers is no small task. Our companies are addressing the aging infrastructure of their natural gas distribution systems. In Illinois, Peoples Gas is continuing work on the System Modernization Program, 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. By replacing this infrastructure, the program will result in reduced methane emissions. 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<sub>2</sub>e) amounts related to the natural gas our energy companies distribute and sell, as well as emissions due to natural gas distribution system leaks. For 2016, we reported emissions of approximately 26.7 million metric tons of CO<sub>2</sub>e to the EPA related to the distribution and sale of natural gas. The amount associated with fugitive emissions was approximately 1.3 percent. By comparison, emissions from electricity generation totaled approximately 29.6 million metric tons of CO<sub>2</sub>e.

**Total U.S. greenhouse gas emissions by economic sector**

Source: EPA



**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 (CPP) to regulate GHG emissions from existing fossil-fueled power plants. The CPP would require 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.

In February 2016, the U.S. Supreme Court stayed the effectiveness of the CPP until disposition of the litigation in the D.C. Circuit Court of Appeals and, to the extent that 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 not moved forward with any state planning.

We worked with EPRI and other organizations to assess the potential impact of new and proposed regulations on our companies and on our customers in the states in which we generate electricity. Our companies continue to meet with various stakeholders to discuss issues related to possible GHG regulation.

Although it is likely that the Clean Power Plan will emerge from eventual rule revision much different than its original form, reducing GHG remains an integral component of our strategic planning process. We continue to strategically reshape our generation portfolio with investments that maintain fuel diversity, reduce customer costs and achieve long-term CO<sub>2</sub> reduction.

### Local generation technology

As we implement and refine our plan to meet our 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 in the next section, 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. Our 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 our 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 stayed Clean Power Plan or similar regulations, or that cost recovery will not be delayed or otherwise conditioned. 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 also could adversely affect our future results of operations, cash flows and 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 nonemitting generation, driving our compliance with Wisconsin Act 141 and Michigan Public Act 295, the states' renewable portfolio standards, and reducing system carbon intensity. We Energies and WPS met the renewable portfolio standards well in advance of the state deadlines:

- Our companies own and operate a total of 280 wind turbines located at six 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, 2016.
- Rothschild Biomass Cogeneration Plant is a 50 MW power plant fueled with wood waste (biomass) from northern Wisconsin forests. The plant 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 171 MW and a rated capacity of 150 MW as of Dec. 31, 2016. The new Twin Falls powerhouse has increased its capacity approximately 50 percent.

We Energies offers the Energy for Tomorrow® program to electric customers who want to strengthen the market for renewable electricity using resources such as wind, solar and biomass. Program participants enroll at the 25-, 50- or 100-percent level, and We Energies

**Our renewable portfolio** as of Dec. 31, 2016.



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

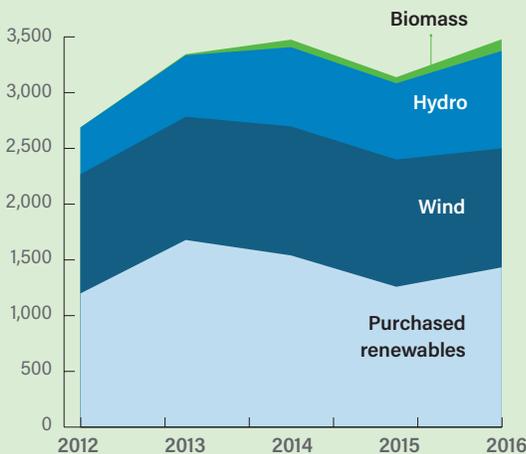


**30**  
HYDRO PLANTS  
Capacity:  
Installed: 171 MW  
Rated: 150 MW



**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)**



produces or purchases renewable energy to match that percentage of their electricity use. Some participants have installed solar energy systems on their homes or businesses, and electricity from these systems is added to the grid. Energy for Tomorrow® is Green-e certified and meets the environmental and consumer protection standards set forth by the nonprofit Center for Resource Solutions.

The NatureWise® program at WPS similarly offers customers the opportunity to purchase specified amounts of electricity from renewable sources.

For 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 materials into existing courses, and the opportunity to participate in WPS' annual Solar Olympics.

The program is supported by the WPS Community Foundation, which receives tax-deductible donations from WPS customers. In addition to its educational benefits, the program produces renewable energy, avoids carbon dioxide emissions, and helps schools reduce their energy costs.

**Efficient use of resources**

**Water resources management**

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 return all of the cooling water 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 minimizes 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 2016, approximately 100 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 52 percent, according to the American Coal Ash Association.

In the past 16 years, our companies have provided more than 13.7 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 and wallboard production and as alternative materials to sand, gravel and crushed stone aggregates. A corporate directive specifies that combustion products produced by our 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 as soil amendments in agricultural applications.

In addition to the successful use of ash and gypsum, WPS sold 100 percent of the sulfuric acid produced at the Weston Generating Power Plant ReACT™ air emission control system to local industrial users. WPS is the first utility in the United States to sell sulfuric acid produced from a coal-fueled electric generating facility's air emission control system.

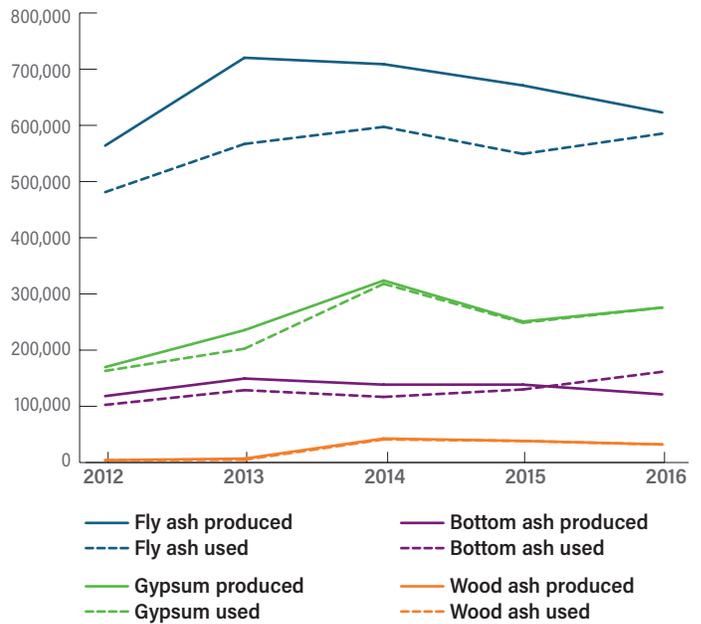
Our companies maintain highly successful research and development programs that include numerous patents that have the potential to further support use of combustion products from our power plants. As changes occur in the makeup and quantities of materials produced due to power plant operations or environmental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

WPS demonstrated the performance of using combustion products in asphaltic concrete pavement at multiple locations by replacing a portion of the asphalt binder. Initial results indicate that using combustion products as a binder enhancer can improve the strength and longevity of the pavement in the extreme weather conditions of northern Wisconsin, and reduce the energy needed to produce asphaltic concrete.

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 3,890 rail cars or more than 405,000 metric tons of coal that otherwise would need to be purchased, while producing additional quality materials for the construction industry.

We Energies does not use any wet coal ash impoundments. The WPS Weston Power Plant site has a small bottom ash impoundment that is scheduled for ash removal and closing by 2021.

**Combustion products (tons)**



**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.



Over the past five years, on average, our companies have recycled **more than 50%** of nonhazardous waste.

## Other environmental activities

### Investing in research for longer-term alternatives

Since 2006, we have invested nearly \$6 million in climate change research and development programs through in-house work and membership in EPRI. Examples of project investments and activities 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<sub>2</sub> 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<sub>2</sub> 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
- Analysis of the impacts of current and potential future greenhouse gas policy developments

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.

### Manufactured gas plant sites

From the early 1800s until the 1960s, gas for heating and lighting was manufactured at local plants. These manufactured gas plants were the pride of many cities because gas was a better source of energy. In homes and businesses, gaslights replaced oil lamps and gas eliminated the necessity of cooking and heating with wood or coal. The plants prospered until more affordable and cleaner natural gas began to arrive via pipelines. WEC Energy Group subsidiaries are responsible for the cleanup of several sites.

**Milwaukee Solvay:** In 2016, Wisconsin Gas began the process to purchase a 46-acre property with extensive frontage on the city's inner harbor, known as the former Milwaukee Solvay Coke and Gas site. This property was purchased by Wisconsin Gas in May 2017. The site was owned and operated by a predecessor company, the Milwaukee Gas Light Company, from approximately 1947 to 1956. We currently are working with a number of other responsible parties, with oversight from the U. S. Environmental Protection Agency and the Wisconsin Department of Natural Resources (WDNR), to investigate and clean up contamination that remains from the former operation. Ownership will allow us to better control the cost of the cleanup while working with the City of Milwaukee and other interested parties to revitalize this property for future use.

**Great Lakes Legacy Act Project Agreement:** In December 2016, We Energies signed a project agreement with the U.S. EPA's Great Lakes National Program Office to complete a remedial investigation and feasibility study for contaminated sediments in the Menomonee and Milwaukee rivers. Partnering with the WDNR, this project will leverage more than \$1.1 million from the Great Lakes Legacy Act and build upon the previous river work performed by We Energies near the locations of two former manufactured gas plants.

**U.S. Army Corps of Engineers permitting:** In late 2016, the company started discussions with the St. Paul District of the U.S. Army Corps of Engineers about participation in a voluntary program that allows regulated entities to provide funding directed toward expedited processing of permit applications. These permits address the protection of wetlands and other water resources that may be affected by utility construction projects. Section 214 of the Water Resources Development Act of 2000 allows the Army Corps to accept and expend funds contributed by nonfederal entities to expedite the evaluation of permits under the jurisdiction of the Department of the Army. Discussions with the District continue and we anticipate having a memorandum of agreement (MOA) in place by mid-2017. This effort is being jointly coordinated with American Transmission Co. The MOA is aimed at addressing the permitting needs of our Wisconsin and Minnesota operations conducted by We Energies, WPS, Minnesota Energy Resources and Wisconsin River Power Co.

### 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 and across state borders. Some electric and natural gas facilities cross protected 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, archaeological, historic and other 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). Our employees work diligently to avoid or significantly minimize natural resource impacts. 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.

## ENVIRONMENTAL PERFORMANCE

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.



Our companies also look for opportunities to work with the general public to increase natural resource stewardship awareness. Since 2003, WPS has celebrated Arbor Day by planting trees at schools within its service area. In 2013, WPS began purchasing 600 sapling trees annually to provide to local schoolchildren. The Environmental department purchases the saplings, and employee volunteers bag each sapling and tag each tree with an information card specific to that species.

Members of our staff lead several comprehensive wildlife conservation efforts with the coordination and cooperation of the 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 our service areas.

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 the Karner blue, 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.



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.

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 330 peregrine young – more than one-fifth 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.

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 take appropriate measures 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 Elm Road Generating Station 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 approximate 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, permanent protection of lands and the addition of six miles of waterway protected under the federal National Wild and Scenic Rivers System within the Sturgeon River Gorge Wilderness.

In 2004, WPS sold 179 acres to the state and donated another 5,176 acres. This land now is being preserved and managed by the state as the Peshtigo State Forest and the Governor Tommy Thompson State Park.

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.

WPS has partnered with the WDNR to protect the spawning of muskie, white suckers and walleye at the Peshtigo Dam. 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.

Our companies also work 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
- A Marquette, Michigan, bike group's project to install a mountain bike course on properties associated with the Presque Isle Power Plant
- 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 watermilfoil, 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
- Baird Creek Preservation Foundation
- Caledonia Conservancy Lands
- Chiwaukee Prairie
- Eagle Bluff Environmental Center
- Friends of the Chicago River
- Friends of Jersey
- Friends of Lake Mohawksin
- Friends of the Park
- Forest Beach Migratory Preserve
- Fox-Wolf Watershed Alliance
- Great Lakes Initiative
- High Cliff State Park
- Lake Forest Open lands
- Lapham Peak State Park
- Mequon Nature Preserve
- Milwaukee River Greenway
- Natural Resources Foundation of Wisconsin
- 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. 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 the efforts of others for the betterment of fish and wildlife, water and air quality, forests, energy efficiency, renewable energy and recycling.

Our foundations review applications received from throughout our service areas and make recommendations for grants and funding. In 2016, 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; construction of a new animal hospital at the N.E.W. Zoo near Green Bay; Awassa Trail development in the Town of St. Germain; Trees for Tomorrow, an outdoor environmental education center in Eagle River; and community garden projects. Specifically, WPS Foundation gave a gift to the Green Bay Botanical Gardens for the grand garden expansion project that will be completed in fall 2017.

We've also continued our support of annual community cleanups of rivers and other sensitive areas, conservation programs, education programs on sustainable forestry and invasive species, Arbor Day programs, programs supporting species such as whooping cranes and sturgeon, and raptor education and rescue. The We Energies Foundation was recognized by the Wisconsin Society for Ornithology for sponsoring the Noel J. Cutright Breeding Bird Atlas internship program in support of the second Wisconsin Breeding Bird Atlas.

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.

➔ For more information on the We Energies and WPS foundations, see page 67.

## Environmental performance – air

### Air emissions - electricity generation

		2012	2013	2014	2015	2016
Sulfur dioxide (SO <sub>2</sub> )	(kg)	27,374,491	27,141,879	21,610,959	15,393,457	10,273,266
	(kg/MWh)	0.90	0.82	0.67	0.42	0.30
Nitrogen oxide (NO <sub>x</sub> )	(kg)	13,761,557	15,165,705	14,632,528	13,510,615	11,803,752
	(kg/MWh)	0.45	0.46	0.45	0.37	0.35
Particulate matter (PM)*	(kg)	3,051,603	3,098,687	3,113,100	2,062,962	1,088,375
	(kg/MWh)	0.100	0.094	0.096	0.056	0.032
Volatile organic compound (VOC)	(kg)	395,758	483,018	399,149	433,641	347,989
	(kg/MWh)	0.013	0.015	0.012	0.012	0.010
Mercury (Hg)	(kg)	304.3	227.8	187.9	109.1	45
	(kg/MWh)	0.000010	0.000007	0.000006	0.000003	0.000001

\* All values have been adjusted for a unit at West Marinette operated but not owned by WPS.

### Greenhouse gas emissions from electricity generation and purchases (1,000 metric tons carbon dioxide equivalents (CO<sub>2</sub>e))

	2012	2013	2014	2015	2016
Oak Creek Site	6,137	7,918	10,196	11,422	10,357
Pleasant Prairie Power Plant	6,290	8,789	7,120	7,569	6,910
Weston Generating Station	3,643	4,519	3,697	3,140	2,584
Presque Isle Power Plant	2,248	2,227	2,255	2,088	2,197
Columbia Energy Center	2,504	2,433	1,710	1,624	1,626
Valley Power Plant*	850	875	804	266	-
Edgewater Generating Station	496	521	507	479	327
J.P. Pulliam Generating Station	647	1,001	1,002	438	338
Milwaukee County Power Plant**	139	140	128	121	35
<b>Total coal generation</b>	<b>22,955</b>	<b>28,423</b>	<b>27,419</b>	<b>27,147</b>	<b>24,374</b>
Port Washington Generating Station	1,918	1,309	1,144	1,776	2,186
Fox Energy Center	994	615	552	1,224	1,222
Valley Power Plant*	-	-	105	357	477
Concord Generating Station	60	34	39	69	80
Paris Generating Station	92	24	17	93	122
Germantown Generating Station	24	9	14	17	15
J.P. Pulliam Generating Station	17	21	14	53	48
West Marinette***	29	36	28	34	70
De Pere Energy Center	28	16	13	13	51
Weston Generating Station	4	4	1	7	39
Rothschild Biomass Cogeneration Plant	-	52	398	385	374
<b>Total natural gas/other generation</b>	<b>3,180</b>	<b>2,127</b>	<b>2,343</b>	<b>4,059</b>	<b>4,684</b>
Purchased Power****	3,092	2,223	5,453	4,533	4,986
<b>Total CO<sub>2</sub>e (1,000 metric tons)</b>	<b>29,227</b>	<b>32,773</b>	<b>35,215</b>	<b>35,740</b>	<b>34,044</b>
<b>System GHG Intensity (metric tons/MWh)</b>	<b>0.63</b>	<b>0.67</b>	<b>0.73</b>	<b>0.70</b>	<b>0.66</b>

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

\*\* Milwaukee County Power Plant was sold in April 2016.

\*\*\* 2012-2015 values have been adjusted for a unit at West Marinette operated but not owned by WPS.

\*\*\*\* CO<sub>2</sub>e from purchased power was estimated using regional factors published by the Michigan Public Service Commission.

## Environmental performance – water

Water (billion cubic meters)	2012	2013	2014	2015	2016
Withdrawn from major sources	3.26	3.14	3.21	3.50	3.31
Municipal water purchases	0.004	0.004	0.004	0.004	0.003
Returned to source	3.23	3.11	3.17	3.47	3.28
<b>Percent returned to source*</b>	<b>99.1</b>	<b>99.0</b>	<b>98.8</b>	<b>99.1</b>	<b>99.2</b>

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

## Environmental performance – land

Combustion products (metric tons)	2012	2013	2014	2015	2016
Combustion products produced	769,300	1,011,950	1,109,400	999,900	955,400
Combustion products used	687,200	1,036,100	1,016,700	880,600	958,300
<b>Percent used</b>	<b>89</b>	<b>102</b>	<b>92</b>	<b>88</b>	<b>100</b>

### Bottom ash and recovered landfill ash (metric tons)

Coal ash reburn	45,360	41,600	26,970	14,100	1,500
Coal displaced	10,610	5,780	5,490	3,750	440

### Hazardous and nonhazardous waste (metric tons)

Hazardous waste generated	91	117	929	353	15
Hazardous waste recycled	5	69	6	2	7
Nonhazardous waste generated	25,562	16,044	19,719	19,847	18,911
Nonhazardous waste recycled	10,208	7,697	11,561	11,728	10,456

**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)	2012	2013	2014	2015	2016
Oak Creek Site	5,664	7,566	10,012	11,142	10,384
Pleasant Prairie Power Plant	5,353	7,778	6,231	6,659	6,084
Weston Generating Station	4,027	4,983	4,123	3,609	2,880
Presque Isle Power Plant	1,900	1,888	1,892	1,739	1,825
Columbia Energy Center	2,337	2,320	1,560	1,477	1,578
Valley Power Plant*	482	457	466	181	-
Edgewater Generating Station	496	536	526	487	367
J.P. Pulliam Generating Station	596	947	968	422	340
Milwaukee County Power Plant**	26	27	25	28	9
<b>Total coal generation</b>	<b>20,881</b>	<b>26,502</b>	<b>25,803</b>	<b>25,744</b>	<b>23,467</b>
Port Washington Generating Station	4,962	3,351	2,943	4,744	5,818
Fox Energy Center	2,893	1,369	1,585	3,543	3,556
Valley Power Plant*	-	-	77	325	444
Concord Generating Station	80	41	45	86	101
Paris Generation Station	125	29	21	121	161
Germantown Generating Station	24	6	7	14	13
J.P. Pulliam Generating Station	25	31	20	80	71
West Marinette***	21	41	11	44	97
De Pere Energy Center	42	24	17	20	79
Weston Generating Station	4	5	1	9	27
<b>Total natural gas/other generation</b>	<b>8,195</b>	<b>4,905</b>	<b>4,753</b>	<b>8,986</b>	<b>10,367</b>
Rothschild Biomass Cogeneration Plant	-	10	67	54	103
Other renewable energy generation	1,472	1,636	1,846	1,804	1,919
<b>Total electric generation</b>	<b>30,548</b>	<b>33,053</b>	<b>32,469</b>	<b>36,588</b>	<b>35,856</b>
General purchased power	3,141	2,258	5,540	4,605	5,065
Purchased power-nuclear	11,190	11,762	8,572	8,974	9,008
Purchased power-renewable energy	1,188	1,662	1,525	1,247	1,419
<b>Total generated and purchased energy (GWh)</b>	<b>46,067</b>	<b>48,735</b>	<b>48,106</b>	<b>51,414</b>	<b>51,348</b>
<b>Total generated and purchased renewable energy (GWh)</b>	<b>2,660</b>	<b>3,308</b>	<b>3,438</b>	<b>3,105</b>	<b>3,441</b>

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

\*\* Milwaukee County Power Plant was sold in April 2016

\*\*\* 2012-2014 values have been adjusted for a unit at West Marinette operated but not owned by WPS.

# Social Performance



WEC Energy Group companies are customer-focused, prioritizing safety, reliability and efficiency. Our employees work every day to support the communities we serve.

## 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.

Additionally, our companies continue efforts to help 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 our energy products, services, resources 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' experiences 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
- Keeps the mission on track to provide an excellent experience for every customer, every transaction, every time

### Customer satisfaction surveys

Monthly customer satisfaction surveys are used at all of our utilities to measure performance on key transactions and gauge overall satisfaction with each of our energy companies. Approximately 3,100 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 of completing a survey whenever they interact with company websites or customer care centers. Approximately 31,500 customers took advantage of this opportunity in 2016. 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 used across all WEC Energy Group companies. It is 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. Customers who have been referred are contacted to address any issues or concerns and give the company the opportunity to make it right.

During the 11 years that the program has been in place, the company has received important, actionable feedback from both satisfied and dissatisfied customers. This feedback has been used to enhance processes and improve all customers' future interactions.

**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 is in place at We Energies, Wisconsin Public Service, Peoples Gas and North Shore Gas.

In 2016, nearly 520,000 residential and business customers were contacted with either personal or automated We Care calls concerning their:

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



**Social media**

Many of our companies use social media to communicate with customers 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.

Customers continue to express concerns about energy prices and the impact of price increases on their budgets. To address this, 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.



**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 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, lightbulbs and window film) 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 weatherstripping, 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 service connected.

**Options for low-income customers.** Our companies work collaboratively with government agencies and community-based organizations throughout their service areas to address the needs of low-income customers. We inform customers about 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. Our companies also make regular contributions to nonprofit organizations to help provide financial assistance. On our websites and in our communications, customers can find efficiency tips to help save money on their energy bills.

## 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 National FFA Organization. This free event attracted nearly 20,000 people in 2016.

**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 20th annual event in 2016 attracted more than 53,000 visitors of all ages from Wisconsin and beyond. More than 265 volunteers donated 2,370 hours to make the event a success. WPS sponsors this event, in part 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

## 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.
- Deploying advanced metering infrastructure to provide more information for data analytics, helping us identify metering quality and tampering issues.
- Investing in automated field equipment to help reduce outage restoration time and minimize impact 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.

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 is 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), Community Action Partnership of Lake County (CAP), 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 and CAP have 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 2016, the companies teamed with congressional members to host five events throughout Chicago and Lake County.

**We Energies' Cookie Book** has been a holiday season tradition for 88 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 packaged cookie to customers.



## 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 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 optimization, as well as sustainability
- Provide carbon footprint analyses
- Facilitate and/or participate in energy site assessments and customer energy management 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 receive 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.

### 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:

- Meet electric, natural gas and forestry workers
- Watch safety demonstrations
- Learn about electric generation and delivery
- Get answers to questions about the company



The **"Name the Chick"** contest from WPS invites K-8 students to submit names for peregrine falcons hatched each year inside nesting boxes at company power plants. These nesting boxes have sheltered more than 80 falcon chicks in the past two

decades. Winning students are invited to participate in falcon bandings, and their entire classrooms receive a tour at the Bay Beach Wildlife Sanctuary or presentation from a peregrine falcon expert.



## 2016 customer satisfaction results

### External customer satisfaction measures

Our companies continue to strive for positive results in national customer satisfaction studies conducted by external organizations such as J.D. Power & Associates. 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.

Company	J.D. Power & Associates studies quartile ranking								Q4 survey		
	2016 Business				2016 Residential				2016 Results		
	Electric		Natural gas		Electric		Natural gas		Satisfaction with:		
	U.S.	Region	U.S.	Region	U.S.	Region	U.S.	Region	Utility	Transaction	
Michigan Gas Utilities								3	3	83.9%	84.5%
Minnesota Energy Resources								2	1	83.1%	85.0%
North Shore Gas								4	4	76.6%	79.7%
Peoples Gas			3	2				4	3	72.3%	81.4%
We Energies	3	3	2	1	2	1		4	3	82.1%*	90.2%*
Wisconsin Public Service	3	2	4	4	2	2		2	2	82.3%	84.8%

### 2016 customer satisfaction survey highlights

Minnesota Energy Resources was identified in a national study as a top performer in customer awareness of ways to save energy.

We Energies was identified in a national study as a top brand in power quality, reliability satisfaction and professionalism of its employees.

WEC Energy Group received the best results in its history for large customer satisfaction in a national survey of electric utility customers conducted by TQS Research.

- WEC Energy Group achieved a third-place national ranking, with 93.4 percent of We Energies and WPS customers being highly satisfied. This was up from 89.1 percent in 2015.
- Comparing performance against 47 other holding companies, WEC Energy Group also achieved a third-place ranking on overall reliability.
- Both We Energies and WPS showed improvement in all of the major factors related to overall satisfaction.

Peoples Gas and North Shore Gas received their best results ever for large customer satisfaction in a national survey conducted by E Source.

- On a combined basis, Peoples Gas and North Shore Gas achieved a second-place ranking out of 11 utilities, with an overall score of 8.8 out of 10. This was up from a score of 8.4 and a seventh-place finish out of 15 utilities in 2015.
- Peoples Gas and North Shore Gas showed improvement in all of the categories related to overall satisfaction, including achieving "best in class" scores for "is trustworthy," "provides reliable energy" and "effectively communicates during energy emergencies."

\* Highest-ever Q4 score

### Internal customer satisfaction measures

Our surveys measure customer satisfaction with both their utility overall and the specific transaction. Scores above represent the percentage of customers rating their satisfaction an 8, 9 or 10 on a 10-point scale.

# Reliability

As our customers depend on reliable service, we have made significant capital investments in recent years, and plan to continue strengthening and modernizing our generation and distribution network.



## 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.

## Electric 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.

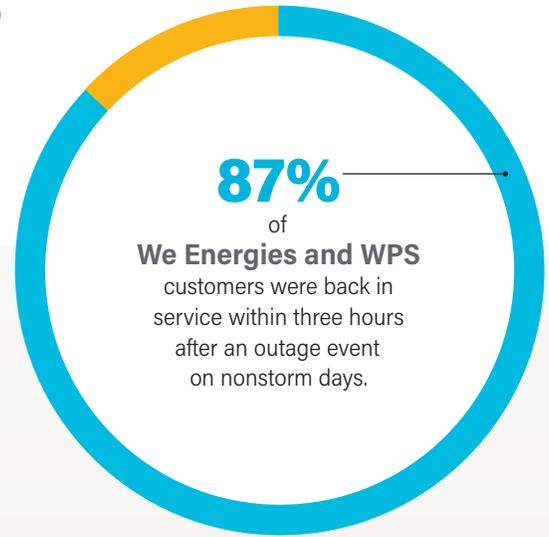


We Energies earned PA Consulting's ReliabilityOne award for outstanding electric reliability performance in the Midwest for the sixth consecutive year in 2016.

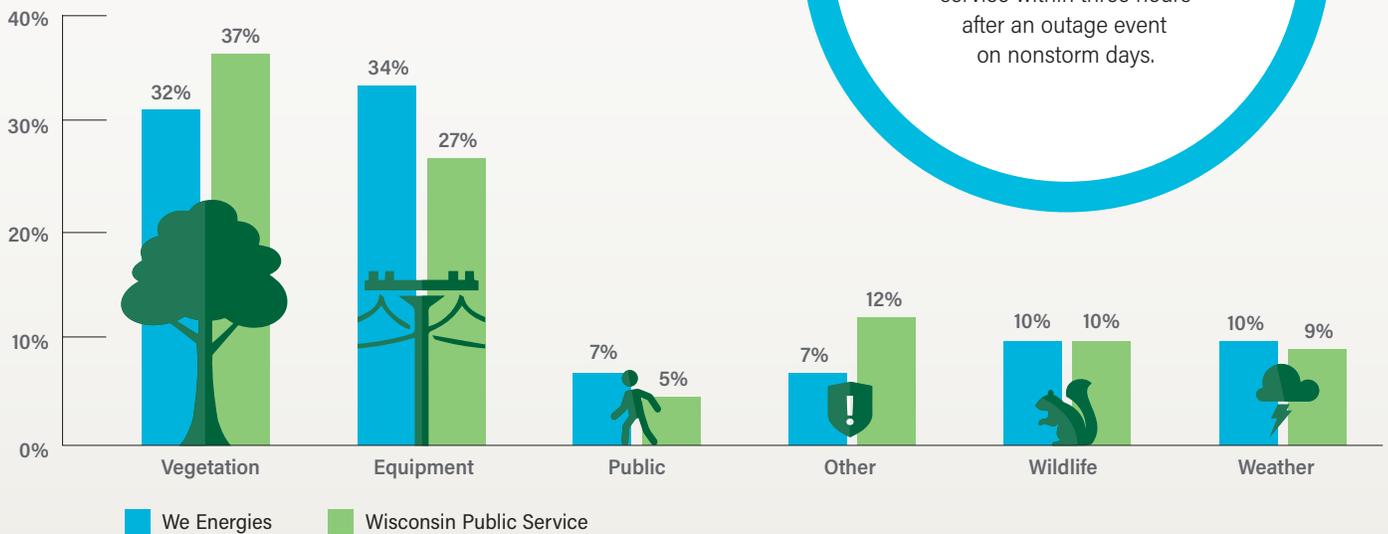
➔ Detailed information on current reliability-focused projects can be found in the "Strategic initiatives" section of this report on page 12.

## Power outages

At WEC Energy Group companies, a key annual goal is to deliver world-class reliability to 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.



### 2016 power outages by cause



### Power outage statistics\*

#### We Energies

**Power outage frequency**

SAIFI<sup>1</sup> – 0.67 interruptions

**Average power outage duration**

SAIDI<sup>2</sup> – 95 minutes

CAIDI<sup>3</sup> – 141 minutes

#### WPS

**Power outage frequency**

SAIFI<sup>1</sup> – 1.03 interruptions

**Average power outage duration**

SAIDI<sup>2</sup> – 169 minutes

CAIDI<sup>3</sup> – 165 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.

## Demand-side management and energy efficiency programs

Many customers 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 day and night when energy demand and rates are lower. 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.

Wisconsin Public Service (WPS) customers enrolled in the Cool Credits program receive a credit on their electricity bills for allowing their air conditioning and/or electric water heater to be shut down for short periods. At times of high demand for energy, usually during hot summer days, the air conditioner and/or water heater can be shut off or cycled on and off automatically by WPS to manage 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

Through a variety of energy efficiency programs, our customers are taking control of their energy usage. In Wisconsin and Michigan, Focus on Energy and Efficiency United, respectively, provide customers with energy-saving rebates and incentives. Additionally, in Wisconsin, our companies make available to business customers energy management services, including assessments, technical monitoring and consultations to help improve energy efficiency in their operations. In its inaugural Utility Energy Efficiency Scorecard, the American Council for an Energy-Efficient Economy ranked We Energies fifth out of 51 national large electric utilities in the “Energy Efficiency Programs” category, recognizing our efforts to address diverse customer needs with a range of services and technology.

Our Illinois energy companies manage the Peoples Gas Natural Gas Saving Program and the North Shore Gas Natural Gas Saving

Program. 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-rated appliances, smart thermostats, LED lighting, smart lighting and custom projects.

Some customers also can participate in online energy audits to determine how they can make their homes more energy efficient through no-cost or low-cost upgrades. Customers who participate in a full-home energy assessment can see results in energy saving opportunities of 20 percent to more than 50 percent in some cases.

Our energy companies communicate these opportunities via a number of vehicles, including bill messages, newsletters and social media.

These programs make an impact in our communities. Here are the numbers:

#### Aggregate of all WEC Energy Group utilities\*

Participating customers	819,845
First-year kWh savings **	349,664,083
First-year therm savings **	39,053,295
Value of rebates earned by customers	\$50,009,776

\* Aggregate gross data from 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.



**\$50,009,776**

Saved by customers through energy efficiency rebates.

## 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 supports system safety and reliability.

### Education and outreach

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



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

For example, Wisconsin Public Service 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 provide needed instruction on working 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 safely with them during emergencies.

For example, Michigan Gas Utilities partners with other Michigan pipeline operators to review and train firefighters, police, emergency medical personnel and contractors on proper procedures for identifying and working near natural gas lines.

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 protects 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 and 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 and the University of Wisconsin Stray Voltage Investigator Training Series.

### Cybersecurity risk management

The energy industry requires the use of sophisticated information technology systems and network infrastructure, and we understand the importance of securing these systems against intrusion and attack. Our cybersecurity governance model includes oversight by senior management from our Enterprise Risk Steering Committee along with steering committees for information security, operational technology security, third-party vendor security controls and North American Electric Reliability Corporation Critical Infrastructure Protection (NERC CIP) compliance. Using recognized maturity models from Control Objectives for Information and Related Technologies and the Department of Energy, we continue to review our overall cybersecurity program maturity and incorporate improvements as needed.

We actively participate in NERC-sponsored GridEx events as well as information sharing and vulnerability analysis with the Department of Homeland Security, Electricity Information Sharing and Analysis Center, American Gas Association, Industrial Control System Computer Emergency Response Team, and InfraGard, the FBI's private, industry-collaborative cybercrime area. To better comprehend the scope and magnitude of any active threats to our industry, we communicate with other utilities concerning cyber incidents.

Our organization strives to follow industry "best practice" for computer network protection and provide effective physical security for our critical cyber assets. Following a 2016 audit in regard to NERC CIP standards, the external auditors positively noted our critical infrastructure protection program and our demonstrated "culture of compliance," with no significant findings.

## Supplier information

WEC Energy Group is committed to developing a supply base to meet current and future business requirements. We forge relationships with high-quality suppliers that can deliver added value to our operations and our customers.

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 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 a diverse workforce.

**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 bid work fairly. Supply Chain ensures that the bid list is fair, inclusive of minority- and women-owned business enterprise suppliers, and in alignment with the bid process rules 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 subsidiaries are included and adhered to. This mitigates risk of litigation, which ultimately protects 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 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, supplier 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 emulate our culture of excellence within the services they provide to us. Suppliers must adhere to, measure and report results for each of these performance expectations.

**Safety** – In alignment with our safety goals, suppliers promote a safe work environment at all times:

- Strive for zero injuries to all employees.
- Watch for unsafe conditions and take immediate action to correct them.
- Ensure safety guidelines and procedures are current and all staff is trained.

**Innovation** – Suppliers are expected to look for ways to enhance service and reduce costs:

- Identify innovative ideas through the 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:

- Reduce costs and report to an executive steering committee.
- Use industry expertise to leverage their business and pass on cost advantages to our companies.
- Track cost avoidance when processes or new purchases are made unnecessary through other means.



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

- Make a best effort to have the workforce reflect the make-up of the local 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.

# Supplier diversity

Promoting diverse suppliers fosters competition, enhances job creation and generates additional purchasing power in the communities in which WEC Energy Group and its subsidiaries do business.

## 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, including professional and technical consulting. 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, elected officials, community and civic leaders, and other business leaders.

## Corporate supplier diversity policy statement

WEC Energy Group 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.

## 2016 We Energies recognition for supplier diversity practices

National Association of Minority Contractors of Wisconsin Golden Shovel Award for Leadership in Minority Business Development in the Wisconsin Construction Industry

Edison Electric Institute (EEI) Business Diversity Award for Commitment and Leadership to the EEI Business Diversity Committee and Diverse Businesses *(awarded to Jerry Fulmer, vice president – supplier diversity)*

Hmong Wisconsin Chamber of Commerce: Recognition as a founding board member *(awarded to We Energies and Jerry Fulmer)*



**Jerry Fulmer**

Vice President – Supplier Diversity

**Amount spent in 2016 with SDI-qualified businesses:**

**More than  
\$175  
million**

# 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, environment, 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 (WPS) each operate foundations. The Wisconsin Public Service Foundation supports WPS, Minnesota Energy Resources and Michigan Gas Utilities. Peoples Gas and North Shore Gas have a corporate contributions program that 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

In 2016, the **We Energies Foundation** was named by the Milwaukee Business Journal as the **10th most active** Milwaukee-area foundation based on the amount of grants paid.



Arts and culture



Community and neighborhood development



Education



Environment



Human services and health

2016 charitable contributions	Arts and culture	Community and neighborhood development	Education	Environment	Human services and health
Michigan Gas Utilities	5%	58%	22%	-	15%
Minnesota Energy Resources	4%	60%	10%	-	26%
North Shore Gas	3%	53%	9%	5%	30%
Peoples Gas	5%	39%	30%	4%	22%
We Energies	19%	32%	46%	3%	-
Wisconsin Public Service	6%	16%	42%	4%	32%
<b>Total</b>	<b>16%</b>	<b>29%</b>	<b>42%</b>	<b>3%</b>	<b>10%</b>

## 2016 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 2016, it sponsored a Sept. 17 Honor Flight, transporting World War II, Korean War and terminally ill veterans to Washington, D.C., to visit their memorials.



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

**Helping scouts** – We Energies and WPS hosted, respectively, their 63rd and 64th annual Boy Scout Electricity Merit Badge Clinics. More than 160 scouts attended the clinics in Milwaukee, Green Bay and Wausau, completing 11 requirements, from building electromagnets to wiring a basic circuit, to earn their electricity merit badges. Scouts also had to pass a test covering basic electrical principles and safety. Approximately 45 employees volunteered their time to help the scouts.



## 20 years powering local schools

2016 marked the 20th anniversary of SolarWise® for Schools, an award-winning solar and renewable energy education program sponsored by the WPS Community Foundation. SolarWise provides solar energy systems, renewable energy curricula and teacher training at no charge to local high schools. Students from participating schools also are invited to the Solar Olympics, an annual, one-day competition run by WPS that inspires hands-on, collaborative learning about energy. Over 20 years, each SolarWise school will produce 60,000 kilowatt-hours of clean electricity, educate 2,000 students in renewable energy and avoid 48.4 metric tons of carbon dioxide emissions.

In 2016, St. Thomas Aquinas Academy in Marinette, Wisconsin, became the 55th school to participate in SolarWise. A 3.4-kilowatt photovoltaic system was installed on campus, connected to a data monitoring system that science classrooms can use.

**Bringing nature and community together** – The WPS Foundation awarded \$5,000 to the Town of St. Germain to support the development and maintenance of the Awassa Trails. The expanded trail system will offer the public more opportunities for safe recreation and learning in a natural environment, including its use in science and physical fitness lessons at the St. Germain Elementary School.

**Supporting first responders** – Michigan Gas Utilities and the WPS Foundation awarded more than \$11,500 to first responders in its service area as part of the foundation's "Safety – It's Worth the Energy" grant. Funding is used to purchase equipment and provide professional development for public safety initiatives. The 2016 recipient organizations included Bedford Township Fire Department, Hillsdale City Fire Department, Hopkins Area Fire Department, Ida Township Volunteer Fire Department, Monroe County Central Dispatch, Tekonsha Fire Department and Watervliet Police 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 17,000 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.

Peoples Gas and North Shore Gas launched Energizing Student Potential in 2016 to provide an energy- and STEM-focused curriculum, teacher training, grants, field trips and school energy audits to grades five through eight. Eighty schools participated in 2016, reaching 14,900 students, and 120 schools are planned for 2017.

In addition, the 2016 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 to city neighborhoods** – More than 90 volunteers came together on a rainy day in April to help repair a center on Chicago's South Side that provides vocational training for developmentally disabled adults. The refurbishments to the Ada S. McKinley Community Services facility were the focus of the 19th annual Peoples Gas Commitment to Community Day. Peoples Gas employees and their families and friends completed projects that included gardening, landscaping, painting, cleaning, carpentry, and installing sinks and countertops. Each April, Peoples Gas selects a neighborhood-based social service facility in need of repairs as the beneficiary of Commitment to Community Day, held in conjunction with Rebuilding Together's National Rebuilding Day.



**Rehabbing homes for veterans** – In September, North Shore Gas held its inaugural Home and Honor volunteer day. Dozens of volunteers helped rehab two townhomes for the Community Action Partnership of Lake County's Veterans Housing @Hervey program, which provides housing for homeless and near-homeless veterans. The group prepared the townhomes for occupancy by two veterans and their families – painting, installing blinds, assembling beds, hanging pictures and moving in furniture. The North Shore Gas Home Energy Jumpstart team was on hand to install energy-saving showerheads, faucet aerators, pipe insulation and CFL bulbs. Prior to the volunteer day, North Shore Gas employees built decks in the front and rear of the homes, installed basement windows and ceiling fans, repaired drywall, fixed a stove in one home and installed a new stove in the other.

## 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. We maintain governmental and regulatory relations offices in Chicago, Illinois; Madison, Wisconsin; Lansing, Michigan; and Washington, D.C. We also hire contract lobbyists and work with trade organizations to assist in advocacy activities. Our lobbyists are lawfully registered in each jurisdiction where they perform services for us.

We have several political action committees (PACs). Our 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 our PACs are administered by a committee that combines appointed and elected members. Oversight committees make decisions on how and where dollars are spent.

We have a corporate policy on political contributions and reporting, and periodically conduct training on compliance with lobbying laws.

### Corporate political donations

Our 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 2016.

### Political action disbursements

Organization	2016	2015	2014	2013	2012
WEC Political Action Committee (WEPAC – a federal PAC)	\$ 44,500	\$ 27,500	\$ 28,000	\$ 28,750	\$ 36,250
WEC PAC Better Government Committee (BGC – a state PAC)	63,850	30,500	45,100	26,000	23,100
WEC PAC Personal Contribution Account (PCA Conduit – a state PAC)	38,316	35,037	64,998	19,189	90,891
Michigan Political Action Committee (MIPAC – a state PAC)	13,200	-	18,000	3,275	6,950
Peoples Gas Political Action Committee (Peoples Gas PAC – a state PAC)	123,600*	44,500	47,150	57,989	51,720
<b>Total</b>	<b>\$ 283,466</b>	<b>\$ 137,537</b>	<b>\$ 203,248</b>	<b>\$ 135,203</b>	<b>\$ 208,911</b>

\*This value includes both Peoples Gas PAC and corporate funds disbursements, which is allowed under Illinois law.

For an up-to-date list of WEC PAC Wisconsin contributions, search for "WEC Energy Group PAC" at: <http://cfis.wi.gov/Public/Registration.aspx?page=FiledReports>.

For an up-to-date list of WEC conduits, search for "WEC Energy Group PCA" at: <http://cfis.wi.gov/Public/Registration.aspx?page=ViewConduitContributions>.

For an up-to-date list of WEC PAC federal contributions, search for "WEC Energy Group" at: [www.fec.gov/finance/disclosure/norcomsea.shtml](http://www.fec.gov/finance/disclosure/norcomsea.shtml).

### State party legislative committee contributions

	2016
Committee to Elect a Republican Senate	\$ 12,000
Republican Assembly Campaign Committee (RACC)	12,000
Assembly Democratic Campaign Committee	6,000
State Senate Democratic Committee	6,000

### WEC lobbying activities and expenditures

State and federal lobbying	2016*	2015*	2014	2013	2012
Hours	3,308	3,122	2,142	2,510	2,352
Expenditures	\$ 1,185,121	\$ 1,548,054	\$ 885,023	\$ 1,041,311	\$ 1,021,971

\*2015 includes amounts for Wisconsin, Michigan, Illinois, Minnesota and federal. Prior years include Wisconsin, Michigan and federal lobbying amounts for Wisconsin Energy Corp. alone. Amounts reported for years 2012-14 have been corrected; in the 2015 Corporate Responsibility Report, Minnesota Energy Resources' lobbying activities were inadvertently combined with those of Wisconsin Energy Corp.

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 are located at: [house.gov](http://house.gov) and [senate.gov](http://senate.gov).

Reports for WEC Energy Group's political lobbying activities at the state level are available from the Wisconsin Ethics Commission (<https://lobbying.wi.gov/>), Michigan Department of State (<http://www.michigan.gov/sos/>), the Office of the Illinois Secretary of State (<http://www.ilsos.gov/lobbyistsearch/>) and the Minnesota Campaign Finance and Public Disclosure Board (<https://cfb.mn.gov/>).

**SOCIAL PERFORMANCE**

**Trade organization memberships**

Organization	Membership dues Jan. 1, 2016 through Dec. 31, 2016	Portion of dues used by organization for political purposes
American Gas Association	\$ 858,331	\$ 38,625
American Gas Association – Gas Distributors Exchange	2,400	2,400
Edison Electric Institute	1,253,135	175,590
Illinois Energy Association	35,000	12,250
Illinois Manufacturers’ Association	12,500	1,875
Metropolitan Milwaukee Association of Commerce	172,734	3,455
Michigan Electric & Gas Association	24,370	de minimus
Michigan Manufacturers Association	4,930	4,930
Wisconsin Manufacturers and Commerce	47,313	11,828
Wisconsin Utilities Association	256,131	38,420
Wisconsin Utility Investors	108,211	5,410

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
<b>Coal Ash Legislation (H.R.1734, S.1803)</b> Establishes national standards for state programs to manage coal combustion products and preserves beneficial reuse programs.	✔
<b>Comprehensive Energy Bill (H.R.8, S.2012)</b> Addresses a broad range of energy issues including grid reliability, energy infrastructure, grid security, hydropower relicensing, workforce development, strategic transformer reserve and the DOE furnace rule.	➔
<b>Cyber Security - Information Sharing (multiple bills)</b> Proposes a model for sharing cyber threat information between the federal government and private industry.	✔
<b>Low Income Home Energy Assistance Program (LIHEAP) Funding (H.R.2029)</b> Maintains appropriate funding level for the Low Income Home Energy Assistance Program.	✔
<b>Mobile Workforce State Income Tax Simplification Act (H.R.2315, S.386)</b> Limits the authority of states to tax certain income of employees for employment duties performed in other states.	✔
<b>Pipeline Safety (S.2276)</b> Reauthorizes the pipeline safety programs of the Pipeline and Hazardous Materials Safety Administration (PHMSA) through FY2019. Gives PHMSA emergency authority in the event of a spill or other accident and directs PHMSA to develop standards for underground storage facilities. The bill was signed by the president.	✔
<b>Rail Shipper Fairness Act (S.853)</b> Seeks to improve the efficiency and reliability of rail transportation by reforming the Surface Transportation Board (STB).	✔
<b>Unmanned Aerial Vehicles (H.R.636)</b> The Federal Aviation Administration (FAA) reauthorization contained provisions related to the operation of unmanned aerial vehicles (UAVs), including a streamlined permitting process for critical infrastructure entities to utilize UAVs, emergency exemptions for natural disasters or other emergencies, and provisions for UAV operations near energy production, transmission and distribution facilities and equipment. The bill was signed by the president.	✔
<b>Workforce Development (H.R.4583)</b> Promotes a 21st-century energy and manufacturing workforce by requiring the Department of Energy to prioritize education and training for jobs in the energy and manufacturing sectors. Creates a clearinghouse for information and guidance related to workforce development.	✔

## ORGANIZATIONAL PROFILE

Legislative Bills/Resolutions (Wisconsin)	Position
<b>Assembly Bill 122</b> Exempting certain vehicles of utilities from class B highway weight limitations and certain special or seasonal weight limitations.	✓
<b>Assembly Bill 251</b> Various changes regarding administrative rules and rule-making procedures, time limits for emergency rules, and making an appropriation.	✓
<b>Assembly Bill 319</b> Conveying interests in local government land for construction of natural gas lines.	✓
<b>Assembly Bill 335</b> Utility aid payments for decommissioned or closed production plants.	✓
<b>Assembly Bill 384</b> Requirements for approval of construction of nuclear power plants and changes to the state's energy priorities policy.	✓
<b>Assembly Bill 405</b> 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.	✓
<b>Assembly Bill 547</b> Trespass and damage to property owned or used by an energy provider and providing a criminal penalty.	✓
<b>Assembly Bill 560</b> Disconnection devices for distributed generation facilities.	✓
<b>Assembly Bill 582</b> 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.	✓
<b>Assembly Bill 600</b> The regulation of navigable waters and wetlands.	✓
<b>Assembly Bill 701</b> 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.	✓
<b>Assembly Bill 804</b> 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.	✓
<b>Senate Bill 80</b> Exempting certain vehicles of utilities from class B highway weight limitations and certain special or seasonal weight limitations.	✓
<b>Senate Bill 135</b> The use of a cellular or other wireless telephone while driving a motor vehicle in a construction zone and providing a penalty.	✓
<b>Senate Bill 231</b> Conveying interests in local government land for construction of natural gas lines.	✓
<b>Senate Bill 252</b> Utility aid payments for decommissioned or closed production plants.	✓
<b>Senate Bill 288</b> Requirements for approval of construction of nuclear power plants and changes to the state's energy priorities policy.	✓
<b>Senate Bill 459</b> The regulation of navigable waters and wetlands.	✓
<b>Senate Bill 464</b> 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.	✓
<b>Senate Bill 545</b> 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.	✓
<b>Senate Bill 654</b> 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.	✓

## ORGANIZATIONAL PROFILE

Legislative Bills/Resolutions (Illinois)	Position
<b>House Bill 4656</b> Requires the reconnection of gas service within three calendar days.	✗
<b>House Bill 6165</b> Mandates that gas utilities purchase third-party liability insurance for their pipelines.	✗
<b>House Bill 6276</b> Prohibits utilities from recovering their incurred cost for legal and expert witness testimony.	✗
<b>Senate Bill 2803</b> Allows the Illinois Department of Commerce and Economic Opportunity to circumvent the normal state budget process by authorizing energy efficiency grants and programs be paid directly by the energy utility companies.	✗
<b>Senate Bill 2814</b> Proposed legislation guarantees that two nuclear plants remain open for 10 years, imposes rate caps for residential and commercial users, and provides for investments in renewable energy and energy efficiency, as well as funds for solar job training programs.	◆
<b>Senate Bill 2920</b> Requires that the Illinois Environmental Protection Agency give special consideration to the concerns of the Environmental Justice Commission in the implementation of the Clean Power Plan.	◆
<b>Senate Bill 3288</b> Requires public utilities to offer interim billing agreements to landlords.	✗
<b>Senate Bill 3289</b> Increases the penalties for tree cutting on conservation land.	✗
<b>Legislative Bills/Resolutions (Michigan)</b>	
<b>Senate Bill 235 (Shirkey)</b> Would have required competitive bidding for electric generation. Died in Senate committee.	◆
<b>Senate Bill 282 (Casperson)</b> Sought to construct a new inter-peninsula electric transmission system. Died in Senate committee, but a study was included in SB437.	◆
<b>Senate Bill 437 (Nofs)</b> Major rewrite of Act 3, Michigan's utility regulatory statute. Passed late in lame-duck session and enacted into law as Act 341 of 2016.	◆
<b>Senate Bill 438 (Proos)</b> Major amendments to Act 295 dealing with renewables and efficiency for electric and gas. Passed in tandem with SB 437 and signed into law as Act 342 of 2016.	◆
<b>Senate Bill 536 (Casperson)</b> Change in corporate form requirements for WEC. Died in Senate committee.	◆
<b>House Bill 4297 (Nesbitt)</b> House version of CMS/DTE reform package. Act 295 amendments reported from House committee but died on the floor in lame-duck as SB 438 passed.	◆
<b>House Bill 4298 (Nesbitt)</b> The second half of the CMS/DTE initiative amending Act 3. Reported from House committee but died on the floor as SB 437 passed.	◆
<b>House Bill 4575 (Cole)</b> New (ITC) electric transmission line between UP and LP. A study was included in SB437 requiring a study, but the bill died in committee.	◆
<b>House Bill 4623 (Dianda)</b> Sought to impose utility Integrated Resource Plans. Died in House committee but some provisions included in the SB437/438 package that passed.	◆
<b>House Bill 5913 (Irwin)</b> Would have prohibited "lost gas" from recovery. Died in House committee.	◆

WEC Energy Group did not have public policy positions in Minnesota.

## Forward-looking statement

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

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

Forward-looking statements are subject to a number of risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in the statements. These risks and uncertainties include those described under "Risk Factors" in our Annual Report on Form 10-K for the year ended Dec. 31, 2016, 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 operations;
- The ability to obtain and retain customers, including wholesale customers, due to increased competition in our electric and natural gas markets from retail choice and alternative electric suppliers, and continued industry consolidation;
- The timely completion of capital projects within budgets, as well as the recovery of the related costs through rates;
- The impact of federal, state and local legislative and regulatory changes, including changes in rate-setting policies or procedures, 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 our electric generating facilities, or water supply due to high demand, shortages, transportation problems, nonperformance by electric energy or natural gas suppliers under existing power purchase or natural gas supply contracts, or other developments;
- Changes in credit ratings, interest rates and our ability to access the capital markets, caused by volatility in the global credit markets, our capitalization structure, and market perceptions of the utility industry, us or any of our subsidiaries;
- Costs and effects of litigation, administrative proceedings, investigations, settlements, claims and inquiries;
- Restrictions imposed by various financing arrangements and regulatory requirements on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances;
- The risk of financial loss, including increases in bad debt expense, associated with the inability of our customers, counterparties and affiliates to meet their obligations;
- Changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading markets and fuel suppliers and transporters;
- The direct or indirect effect on our business resulting from terrorist incidents, the threat of terrorist incidents and cybersecurity 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 Co. (ATC) and its corresponding contribution to our earnings, as well as the ability of ATC and Duke-American Transmission Co. to obtain the required approvals for their transmission projects;
- The investment performance of our employee benefit plan assets, as well as unanticipated changes in related actuarial assumptions, which could impact future funding requirements;
- Factors affecting the employee workforce, including loss of key personnel, internal restructuring, work stoppages, and collective bargaining agreements and negotiations with union employees;
- Advances in technology that result in competitive disadvantages and create the potential for impairment of existing assets;
- The timing, costs and anticipated benefits associated with the remaining integration efforts relating to the Integrys acquisition;
- The risk associated with the values of goodwill and other intangible assets and their possible impairment;
- Potential business strategies to acquire and dispose of assets or businesses, which cannot be assured to be completed timely or within budgets, and legislative or regulatory restrictions or caps on non-utility acquisitions, investments or projects, including the State of Wisconsin's public utility holding company law;
- The timing and outcome of any audits, disputes and other proceedings related to taxes;
- The effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other considerations disclosed from time to time in our Securities and Exchange Commission (SEC) filings or in other publicly disseminated written documents.

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



[www.wecenergygroup.com/csr](http://www.wecenergygroup.com/csr)