

THE PEOPLES GAS LIGHT AND COKE COMPANY

(An Indirect Wholly Owned Subsidiary of WEC Energy Group, Inc.)

FINANCIAL STATEMENTS

For the Quarter Ended March 31, 2016

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2016	2015
Operating revenues	\$ 382.9	\$ 441.0
Operating expenses		
Cost of natural gas	123.1	188.6
Other operation and maintenance	123.1	103.4
Depreciation and amortization	29.7	28.8
Property and revenue taxes	3.1	4.2
Total operating expenses	279.0	325.0
Operating income	103.9	116.0
Other income, net	0.6	0.5
Interest expense	8.9	8.7
Other expense	(8.3)	(8.2)
Income before income taxes	95.6	107.8
Income tax expense	47.0	43.8
Net income	\$ 48.6	\$ 64.0

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share amounts)</i>	March 31 2016	December 31 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 1.7	6.6
Accounts receivable and unbilled revenues, net of reserves of \$35.6 and \$42.3, respectively	222.9	191.1
Receivables from related parties	5.2	1.3
Notes receivable from related parties	24.0	28.8
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	21.2	117.2
Materials and supplies	16.2	17.2
Temporary LIFO liquidation debit	17.6	—
Amounts recoverable from customers	24.0	25.1
Prepaid taxes	2.7	25.2
Other current assets	4.1	5.8
Current assets	339.6	418.3
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$1,161.0 and \$1,149.4, respectively	2,932.9	2,918.3
Regulatory assets	962.9	965.4
Other long-term assets	2.6	2.0
Long-term assets	3,898.4	3,885.7
Total assets	\$ 4,238.0	\$ 4,304.0
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term debt	\$ 4.0	\$ 122.7
Current portion of long-term debt	50.0	50.0
Accounts payable	155.3	191.0
Payables to related parties	28.3	16.7
Accrued taxes	49.8	27.5
Customer deposits	27.1	27.0
Customer credit balances	16.3	35.5
Amounts refundable to customers	23.4	26.3
Other current liabilities	61.9	51.0
Current liabilities	416.1	547.7
Long-term liabilities		
Long-term debt	792.7	792.5
Deferred income taxes	660.6	645.0
Deferred investment tax credits	26.5	26.6
Environmental remediation liabilities	431.0	441.0
Pension and OPEB obligations	330.0	322.9
Asset retirement obligations	460.4	454.9
Other long-term liabilities	109.8	111.1
Long-term liabilities	2,811.0	2,794.0
Commitments and contingencies		
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	287.3	287.3
Retained earnings	723.6	675.0
Total liabilities and shareholder's equity	\$ 4,238.0	\$ 4,304.0

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2016	2015
Operating activities		
Net income	\$ 48.6	\$ 64.0
Reconciliation to cash provided by operating activities		
Depreciation and amortization	30.6	29.7
Deferred income taxes and investment tax credits, net	16.0	15.3
Change in -		
Accounts receivable and unbilled revenues	(27.2)	(20.2)
Materials, supplies, and inventories	97.0	94.9
Prepaid taxes	22.5	55.3
Other current assets	1.4	0.5
Accounts payable	7.4	(20.8)
Accrued taxes	22.3	24.5
Temporary LIFO liquidation (debit) credit	(17.6)	20.3
Customer credit balances	(19.2)	(10.9)
Other current liabilities	12.6	(1.8)
Other, net	(15.9)	2.2
Net cash provided by operating activities	\$ 178.5	\$ 253.0
Investing activities		
Capital expenditures	(70.6)	(81.5)
Notes receivable from related parties, net	4.8	34.2
Other, net	1.2	7.2
Net cash used for investing activities	\$ (64.6)	\$ (40.1)
Financing activities		
Change in short-term debt	(118.7)	(165.3)
Other, net	(0.1)	0.1
Net cash used for financing activities	(118.8)	(165.2)
Net change in cash and cash equivalents	(4.9)	47.7
Cash and cash equivalents at beginning of period	6.6	2.6
Cash and cash equivalents at end of period	\$ 1.7	\$ 50.3
<i>Cash paid for interest</i>	<i>\$ (7.7)</i>	<i>\$ (7.8)</i>
<i>Cash received for income taxes</i>	<i>10.3</i>	<i>50.6</i>