

# **WISCONSIN GAS LLC**

**(A Wholly Owned Subsidiary of WEC Energy Group, Inc.)**

## **FINANCIAL STATEMENTS**

**For the Quarter Ended March 31, 2016**

# WISCONSIN GAS LLC

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended	
	March 31	
	2016	2015
<i>(in millions)</i>		
<b>Operating revenues</b>	<b>\$ 231.2</b>	<b>\$ 292.3</b>
<b>Operating expenses</b>		
Cost of natural gas sold	120.6	180.7
Other operation and maintenance	28.0	26.7
Depreciation and amortization	11.7	10.7
Property and revenue taxes	1.8	2.3
<b>Total operating expenses</b>	<b>162.1</b>	<b>220.4</b>
<b>Operating income</b>	<b>69.1</b>	<b>71.9</b>
Other income, net	0.1	0.6
Interest expense	3.7	3.2
<b>Other expense</b>	<b>(3.6)</b>	<b>(2.6)</b>
Income before income taxes	65.5	69.3
Income tax expense	26.3	26.8
<b>Net income</b>	<b>\$ 39.2</b>	<b>\$ 42.5</b>

# WISCONSIN GAS LLC

CONDENSED BALANCE SHEETS (Unaudited) (in millions)	March 31 2016	December 31 2015
<b>Assets</b>		
<b>Property, plant, and equipment</b>		
Property, plant, and equipment	\$ 2,050.1	\$ 2,037.8
Accumulated depreciation	(691.7)	(688.2)
<b>Net property, plant, and equipment</b>	<b>1,358.4</b>	<b>1,349.6</b>
<b>Current assets</b>		
Cash and cash equivalents	0.3	1.1
Accounts receivable and unbilled revenues, net of reserves of \$24.3 and \$22.5	117.0	96.5
Accounts receivable from related parties	0.3	—
Natural gas in storage inventory	23.6	53.2
Materials and supplies inventories	3.3	3.9
Prepayments	25.7	51.2
Other current assets	2.3	6.5
<b>Total current assets</b>	<b>172.5</b>	<b>212.4</b>
<b>Long-term assets</b>		
Regulatory assets	212.2	218.1
Prepaid pension and other benefit costs	129.8	128.9
Goodwill	95.9	95.9
Other long-term assets	19.0	16.4
<b>Long-term assets</b>	<b>456.9</b>	<b>459.3</b>
<b>Total assets</b>	<b>\$ 1,987.8</b>	<b>\$ 2,021.3</b>
<b>Capitalization and Liabilities</b>		
<b>Capitalization</b>		
Member's equity	\$ 779.9	\$ 793.1
Long-term debt	287.5	287.4
<b>Total capitalization</b>	<b>1,067.4</b>	<b>1,080.5</b>
<b>Current liabilities</b>		
Short-term debt	271.5	337.7
Accounts payable	24.3	29.4
Accounts payable to related parties	7.9	7.7
Accrued taxes	36.9	0.1
Refundable natural gas costs	25.5	2.2
Other current liabilities	14.5	31.0
<b>Total current liabilities</b>	<b>380.6</b>	<b>408.1</b>
<b>Long-term liabilities</b>		
Regulatory liabilities	192.9	191.4
Deferred income taxes	297.6	288.8
Environmental remediation obligation	24.4	24.4
Other long-term liabilities	24.9	28.1
<b>Long-term liabilities</b>	<b>539.8</b>	<b>532.7</b>
<b>Total capitalization and liabilities</b>	<b>\$ 1,987.8</b>	<b>\$ 2,021.3</b>

# WISCONSIN GAS LLC

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2016	2015
<b>Operating activities</b>		
Net income	\$ 39.2	\$ 42.5
Reconciliation to cash provided by operating activities		
Depreciation and amortization	12.0	11.0
Contributions and payments related to pension and OPEB plans	(0.8)	(0.7)
Deferred income taxes and investment tax credits, net	7.2	4.2
Change in -		
Accounts receivables and unbilled revenues	(20.8)	(20.8)
Materials, supplies, and inventories	30.2	66.6
Accounts payable	(4.9)	(24.4)
Prepaid and accrued income taxes, net	61.9	19.6
Refundable natural gas costs	23.3	24.6
Other assets and liabilities, net	(10.4)	(4.4)
<b>Net cash provided by operating activities</b>	<b>136.9</b>	<b>118.2</b>
<b>Investing activities</b>		
Capital expenditures	(18.8)	(45.8)
Other, net	(0.2)	(0.6)
<b>Net cash used in investing activities</b>	<b>(19.0)</b>	<b>(46.4)</b>
<b>Financing activities</b>		
Change in short-term debt	(66.2)	(64.3)
Dividends to WEC Energy Group	(52.5)	(7.5)
<b>Net cash used in financing activities</b>	<b>(118.7)</b>	<b>(71.8)</b>
Net change in cash and cash equivalents	(0.8)	—
Cash and cash equivalents at beginning of period	1.1	0.1
<b>Net cash and cash equivalents at end of period</b>	<b>\$ 0.3</b>	<b>\$ 0.1</b>
<b>Supplemental information</b>		
Cash (paid) for interest	\$ (4.1)	\$ —
Cash received (paid) for income taxes	\$ 42.5	\$ (4.1)