

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, 2017

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2017	2016
Operating revenues	\$ 449.9	\$ 382.9
Operating expenses		
Cost of natural gas	164.5	123.1
Other operation and maintenance	108.2	123.1
Depreciation and amortization	32.8	29.7
Property and revenue taxes	4.6	3.1
Total operating expenses	310.1	279.0
Operating income	139.8	103.9
Other income, net	0.4	0.6
Interest expense	10.3	8.9
Other expense	(9.9)	(8.3)
Income before income taxes	129.9	95.6
Income tax expense	52.8	47.0
Net income	\$ 77.1	\$ 48.6

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (in millions, except share amounts)	March 31 2017	December 31 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 1.9	\$ 5.6
Accounts receivable and unbilled revenues, net of reserves of \$45.5 and \$39.2, respectively	296.7	301.3
Receivables from related parties	3.8	7.4
Notes receivable from related parties	27.6	40.2
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	15.7	83.5
Materials and supplies	14.2	14.3
Prepaid taxes	0.2	2.3
Other	11.6	22.2
Current assets	371.7	476.8
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$1,206.9 and \$1,192.0, respectively	3,162.9	3,124.7
Regulatory assets	895.7	895.8
Other	6.9	9.1
Long-term assets	4,065.5	4,029.6
Total assets	\$ 4,437.2	\$ 4,506.4
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term debt	\$ 86.5	\$ 51.2
Accounts payable	154.4	236.0
Payables to related parties	20.6	20.3
Temporary LIFO liquidation credit	27.0	—
Accrued payroll	16.0	24.5
Accrued taxes	97.7	61.6
Customer deposits	35.1	32.1
Customer credit balances	10.2	27.4
Amounts refundable to customers	5.8	4.2
Other	18.4	18.0
Current liabilities	471.7	475.3
Long-term liabilities		
Long-term debt	941.5	941.6
Deferred income taxes	692.4	670.2
Deferred investment tax credits	25.8	25.8
Environmental remediation liabilities	404.2	406.7
Pension and OPEB obligations	141.9	334.9
Asset retirement obligations	443.1	437.9
Other	173.7	185.3
Long-term liabilities	2,822.6	3,002.4
Commitments and contingencies		
Shareholder's equity		
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	374.4	337.3
Retained earnings	768.5	691.4
Shareholder's equity	1,142.9	1,028.7
Total liabilities and shareholder's equity	\$ 4,437.2	\$ 4,506.4

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2017	2016
Operating activities		
Net income	\$ 77.1	\$ 48.6
Reconciliation to cash provided by operating activities		
Depreciation and amortization	32.8	30.6
Deferred income taxes and investment tax credits, net	22.6	16.0
Cash paid for pension plan assets transferred	(195.8)	—
Change in –		
Accounts receivable and unbilled revenues	11.9	(27.2)
Materials, supplies, and inventories	67.9	97.0
Prepaid taxes	2.1	22.5
Other current assets	1.6	1.4
Accounts payable	(46.2)	7.4
Accrued taxes	36.1	22.3
Temporary LIFO liquidation credit (debit)	27.0	(17.6)
Customer credit balances	(17.2)	(19.2)
Other current liabilities	(4.0)	12.6
Other, net	(11.4)	(15.9)
Net cash provided by operating activities	4.5	178.5
Investing activities		
Capital expenditures	(92.4)	(70.6)
Short-term notes receivable from related parties, net	12.6	4.8
Other, net	(0.5)	1.2
Net cash used in investing activities	(80.3)	(64.6)
Financing activities		
Change in short-term debt	35.3	(118.7)
Equity contribution from parent	37.0	—
Other, net	(0.2)	(0.1)
Net cash provided by (used in) financing activities	72.1	(118.8)
Net change in cash and cash equivalents	(3.7)	(4.9)
Cash and cash equivalents at beginning of period	5.6	6.6
Cash and cash equivalents at end of period	\$ 1.9	\$ 1.7
Supplemental cash flow information		
Cash (paid) for interest	\$ (8.1)	\$ (7.7)
Cash received for income taxes, net	4.3	10.3