

WISCONSIN GAS LLC

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

FINANCIAL STATEMENTS

For the Quarter Ended March 31, 2017

WISCONSIN GAS LLC

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2017	2016
Operating revenues	\$ 244.4	\$ 231.2
Operating expenses		
Cost of natural gas sold	134.1	120.6
Other operation and maintenance	28.1	28.0
Depreciation and amortization	11.9	11.7
Property and revenue taxes	1.5	1.8
Total operating expenses	175.6	162.1
Operating income	68.8	69.1
Other income, net	0.2	0.1
Interest expense	5.4	3.7
Other expense	(5.2)	(3.6)
Income before income taxes	63.6	65.5
Income tax expense	25.6	26.3
Net income	\$ 38.0	\$ 39.2

WISCONSIN GAS LLC

CONDENSED BALANCE SHEETS (Unaudited) (in millions)	March 31 2017	December 31 2016
Assets		
Current assets		
Cash and cash equivalents	0.1	4.4
Accounts receivable and unbilled revenues, net of reserves of \$22.3 and \$19.6	129.6	120.2
Accounts receivable from related parties	0.6	0.8
Materials, supplies, and inventory:		
Natural gas in storage	7.1	42.3
Materials and supplies	4.1	4.3
Prepayments	6.0	11.5
Other	0.6	2.7
Current assets	148.1	186.2
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$703.6 and \$701.8	1,454.2	1,438.7
Regulatory assets	209.8	212.2
Prepaid pension and other benefit costs	137.5	142.3
Goodwill	95.9	95.9
Other	20.5	18.0
Long-term assets	1,917.9	1,907.1
Total assets	\$ 2,066.0	\$ 2,093.3
Liabilities and Member's Equity		
Current liabilities		
Short-term debt	91.0	151.5
Accounts payable	19.0	36.6
Accounts payable to related parties	9.3	6.5
Accrued taxes	15.0	—
Customer credit balances	4.6	14.1
Amounts refundable to customers	25.7	12.3
Other	8.3	11.2
Current liabilities	172.9	232.2
Long-term liabilities		
Long-term debt	485.8	485.7
Regulatory liabilities	197.0	197.8
Deferred income taxes	344.6	332.6
Environmental remediation liabilities	36.1	36.1
Other	15.1	25.0
Long-term liabilities	1,078.6	1,077.2
Commitments and contingencies		
Member's equity	814.5	783.9
Total liabilities and member's equity	\$ 2,066.0	\$ 2,093.3

WISCONSIN GAS LLC

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2017	2016
Operating activities		
Net income	\$ 38.0	\$ 39.2
Reconciliation to cash provided by operating activities		
Depreciation and amortization	11.9	12.0
Deferred income taxes and investment tax credits, net	10.7	7.2
Contributions and payments related to pension and OPEB plans	(0.7)	(0.8)
Change in -		
Accounts receivable and unbilled revenues	(9.2)	(20.8)
Materials, supplies, and inventories	35.4	30.2
Prepaid taxes	5.5	1.5
Other current assets	(0.3)	4.1
Accounts payable	(14.8)	(4.9)
Amounts refundable to customers	13.4	23.3
Accrued taxes	15.0	60.4
Other current liabilities	(12.3)	(13.1)
Other, net	(2.2)	(1.4)
Net cash provided by operating activities	90.4	136.9
Investing activities		
Capital expenditures	(25.6)	(18.8)
Other, net	(1.1)	(0.2)
Net cash used in investing activities	(26.7)	(19.0)
Financing activities		
Change in short-term debt	(60.5)	(66.2)
Payment of distributions to parent	(7.5)	(52.5)
Net cash used in financing activities	(68.0)	(118.7)
Net change in cash and cash equivalents	(4.3)	(0.8)
Cash and cash equivalents at beginning of period	4.4	1.1
Net cash and cash equivalents at end of period	\$ 0.1	\$ 0.3
Supplemental cash flow information		
Cash (paid) for interest	\$ (7.7)	\$ (4.1)
Cash received for income taxes, net	\$ 5.4	\$ 42.5