

MICHIGAN GAS UTILITIES CORPORATION

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

FINANCIAL STATEMENTS

For the Quarter Ended March 31, 2018

MICHIGAN GAS UTILITIES CORPORATION

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2018	2017
Operating revenues	\$ 57.0	\$ 53.6
Operating expenses		
Cost of natural gas	30.6	28.4
Other operation and maintenance	8.2	9.0
Depreciation and amortization	3.1	2.8
Property and revenue taxes	1.2	1.2
Total operating expenses	43.1	41.4
Operating income	13.9	12.2
Other expense, net	0.9	1.3
Income before income taxes	13.0	10.9
Income tax expense	3.4	4.3
Net income	\$ 9.6	\$ 6.6

MICHIGAN GAS UTILITIES CORPORATION

CONDENSED BALANCE SHEETS (Unaudited) (in millions, except share amounts)	March 31 2018	December 31 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 1.6	\$ 0.6
Accounts receivable and unbilled revenues, net of reserves of \$1.8	36.1	33.1
Receivables from related parties	6.5	0.1
Materials, supplies, and inventory		
Natural gas in storage	5.4	15.2
Materials and supplies	1.0	0.6
Deferred property taxes	3.5	4.7
Other	1.1	1.7
Current assets	55.2	56.0
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$179.0 and \$176.1, respectively	257.9	254.6
Regulatory assets	56.4	57.5
Goodwill	34.5	34.5
Other	14.8	13.2
Long-term assets	363.6	359.8
Total assets	\$ 418.8	\$ 415.8
Liabilities and Equity		
Current liabilities		
Short-term debt to parent	\$ 11.8	\$ 24.4
Accounts payable	10.9	16.6
Accounts payable to related parties	5.1	2.2
Accrued taxes	13.7	7.8
Customer credit balances	8.1	7.8
Amounts refundable to customers	3.7	—
Other	2.4	3.2
Current liabilities	55.7	62.0
Long-term liabilities		
Long-term debt	89.4	89.3
Deferred income taxes	31.8	34.4
Regulatory liabilities	57.5	55.2
Deferred investment tax credits	0.5	0.5
Environmental remediation liabilities	22.1	22.1
Pension and OPEB obligations	1.3	1.4
Other	4.5	4.5
Long-term liabilities	207.1	207.4
Commitments and contingencies		
Common stock – without par value, 100 shares authorized; 100 shares issued and outstanding	125.6	125.6
Retained earnings	30.4	20.8
Total common shareholder's equity	156.0	146.4
Total liabilities and equity	\$ 418.8	\$ 415.8

MICHIGAN GAS UTILITIES CORPORATION

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
(in millions)	2018	2017
Operating activities		
Net income	\$ 9.6	\$ 6.6
Reconciliation to cash provided by operating activities		
Depreciation and amortization	3.1	2.8
Deferred income taxes and investment tax credits, net	(2.7)	2.9
Cash paid for pension plan assets transferred	—	(7.3)
Change in –		
Accounts receivable and unbilled revenues	(10.3)	(0.4)
Materials, supplies, and inventories	9.4	6.9
Other current assets	2.6	2.1
Accounts payable	0.4	1.2
Accrued taxes	5.9	3.0
Amounts refundable to customers	3.7	(1.3)
Other current liabilities	(0.3)	(1.4)
Other, net	1.7	0.6
Net cash provided by operating activities	23.1	15.7
Investing activities		
Capital expenditures	(7.2)	(6.8)
Payments for assets transferred from WEC Business Services LLC	(2.3)	—
Net cash used in investing activities	(9.5)	(6.8)
Financing activities		
Short-term debt to parent, net	(12.6)	(8.9)
Net cash used in financing activities	(12.6)	(8.9)
Net change in cash and cash equivalents	1.0	—
Cash and cash equivalents at beginning of period	0.6	0.6
Cash and cash equivalents at end of period	\$ 1.6	\$ 0.6
Supplemental cash flow information		
Cash (paid) for interest, net of amount capitalized	\$ (1.8)	\$ (0.9)
Cash received for income taxes, net	—	3.0