

NORTH SHORE GAS COMPANY

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

FINANCIAL STATEMENTS

For the Quarter Ended March 31, 2018

NORTH SHORE GAS COMPANY

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended	
	March 31	
	2018	2017
<i>(in millions)</i>		
Operating revenues	\$ 71.5	\$ 75.4
Operating expenses		
Cost of natural gas	41.6	43.6
Other operation and maintenance	11.3	12.1
Depreciation and amortization	3.9	3.5
Property and revenue taxes	0.5	0.5
Total operating expenses	57.3	59.7
Operating income	14.2	15.7
Other income (expense), net	—	(0.1)
Interest expense	1.1	1.0
Other expense	(1.1)	(1.1)
Income before income taxes	13.1	14.6
Income tax expense	3.1	5.9
Net income	\$ 10.0	\$ 8.7

NORTH SHORE GAS COMPANY

CONDENSED BALANCE SHEETS (Unaudited) (in millions, except share amounts)	March 31 2018	December 31 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 1.1	\$ 0.3
Accounts receivable and unbilled revenues, net of reserves of \$4.2 and \$3.8, respectively	48.2	41.8
Receivables from related parties	2.8	—
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	4.5	18.0
Materials and supplies	2.8	2.6
Liquid propane	0.7	0.7
Other	1.9	3.2
Current assets	62.0	66.6
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$203.7 and \$199.9, respectively	392.3	386.0
Regulatory assets	64.6	65.8
Other	5.1	4.3
Long-term assets	462.0	456.1
Total assets	\$ 524.0	\$ 522.7
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable	\$ 18.7	\$ 22.2
Payables to related parties	6.2	3.6
Notes payable to related parties	36.2	62.8
Temporary LIFO liquidation credit	4.5	—
Accrued taxes	8.7	4.4
Customer credit balances	5.9	8.0
Other	10.4	8.2
Current liabilities	90.6	109.2
Long-term liabilities		
Long-term debt	81.5	81.5
Deferred income taxes	55.8	56.2
Deferred investment tax credits	2.6	2.6
Regulatory liabilities	62.5	61.9
Environmental remediation liabilities	42.8	42.8
Pension and OPEB obligations	23.1	22.7
Asset retirement obligations	19.2	18.9
Other	8.0	4.0
Long-term liabilities	295.5	290.6
Commitments and contingencies		
Shareholder's equity		
Common stock, without par value, 5,000,000 shares authorized; 3,625,887 shares issued and outstanding	38.0	33.0
Retained earnings	99.9	89.9
Shareholder's equity	137.9	122.9
Total liabilities and shareholder's equity	\$ 524.0	\$ 522.7

NORTH SHORE GAS COMPANY

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)		Three Months Ended	
		March 31	
(in millions)		2018	2017
Operating activities			
Net income	\$	10.0	\$ 8.7
Reconciliation to cash provided by operating activities			
Depreciation and amortization		3.9	3.5
Deferred income taxes and investment tax credits, net		(1.3)	(0.8)
Change in –			
Accounts receivable and unbilled revenues		(10.4)	0.9
Materials, supplies, and inventories		13.3	13.5
Other current assets		2.2	1.5
Accounts payable		1.7	(8.8)
Temporary LIFO liquidation credit		4.5	4.6
Accrued taxes		4.3	6.1
Customer credit balances		(2.1)	(2.9)
Amounts refundable to customers		3.3	2.9
Other current liabilities		(0.6)	(0.1)
Other, net		5.7	(1.6)
Net cash provided by operating activities		34.5	27.5
Investing activities			
Capital expenditures		(10.0)	(5.1)
Payments for assets transferred from WEC Business Services LLC		(2.7)	—
Other, net		0.5	0.1
Net cash used in investing activities		(12.2)	(5.0)
Financing activities			
Short-term notes payable to related parties, net		(26.6)	(12.6)
Payment of dividends to parent		—	(10.0)
Equity contribution from parent		5.0	—
Other, net		0.1	—
Net cash used in financing activities		(21.5)	(22.6)
Net change in cash and cash equivalents		0.8	(0.1)
Cash and cash equivalents at beginning of period		0.3	0.4
Cash and cash equivalents at end of period	\$	1.1	\$ 0.3
Supplemental cash flow information			
Cash (paid) for interest	\$	(0.2)	\$ (0.1)
Cash received for income taxes, net		—	0.3