

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, 2018

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2018	2017
Operating revenues	\$ 435.9	\$ 449.9
Operating expenses		
Cost of natural gas	160.6	164.5
Other operation and maintenance	100.5	107.0
Depreciation and amortization	37.0	32.8
Property and revenue taxes	4.4	4.6
Total operating expenses	302.5	308.9
Operating income	133.4	141.0
Other expense, net	1.2	0.8
Interest expense	11.5	10.3
Other expense	12.7	11.1
Income before income taxes	120.7	129.9
Income tax expense	31.7	52.8
Net income	\$ 89.0	\$ 77.1

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share amounts)</i>	March 31 2018	December 31 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 10.4	\$ 8.6
Accounts receivable and unbilled revenues, net of reserves of \$82.5 and \$72.6, respectively	350.4	309.0
Receivables from related parties	1.1	7.4
Notes receivable from related parties	36.2	50.0
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	10.5	62.2
Materials and supplies	24.9	21.5
Other	14.2	27.5
Current assets	447.7	486.2
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$1,331.8 and \$1,261.7, respectively	3,578.2	3,545.8
Regulatory assets	864.9	843.0
Other	44.7	33.7
Long-term assets	4,487.8	4,422.5
Total assets	\$ 4,935.5	\$ 4,908.7
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term debt	\$ 105.8	\$ 239.9
Current portion of long-term debt	5.0	5.0
Accounts payable	133.3	222.8
Payables to related parties	48.3	28.5
Temporary LIFO liquidation credit	31.2	—
Accrued taxes	114.1	73.0
Customer deposits	30.8	33.3
Customer credit balances	28.4	41.0
Other	49.7	51.8
Current liabilities	546.6	695.3
Long-term liabilities		
Long-term debt	1,036.0	1,035.6
Deferred income taxes	429.3	429.2
Deferred investment tax credits	25.3	25.6
Regulatory liabilities	472.2	466.0
Environmental remediation liabilities	385.6	385.6
Pension and OPEB obligations	162.0	159.0
Asset retirement obligations	448.7	443.5
Other	54.1	54.4
Long-term liabilities	3,013.2	2,998.9
Commitments and contingencies		
Shareholder's equity		
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	486.5	414.3
Retained earnings	889.2	800.2
Shareholder's equity	1,375.7	1,214.5
Total liabilities and shareholder's equity	\$ 4,935.5	\$ 4,908.7

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended	
	March 31	
<i>(in millions)</i>	2018	2017
Operating activities		
Net income	\$ 89.0	\$ 77.1
Reconciliation to cash provided by operating activities		
Depreciation and amortization	37.0	32.8
Deferred income taxes and investment tax credits, net	(4.0)	22.6
Cash paid for pension plan assets transferred	—	(195.8)
Change in –		
Accounts receivable and unbilled revenues	(35.1)	(12.3)
Materials, supplies, and inventories	48.3	67.9
Amounts recoverable from customers	6.7	24.2
Other current assets	10.1	3.7
Accounts payable	(39.6)	(46.2)
Temporary LIFO liquidation credit	31.2	27.0
Accrued taxes	41.1	36.1
Customer credit balances	(12.6)	(17.2)
Amounts refundable to customers	6.8	1.6
Other current liabilities	(9.9)	(5.6)
Other, net	10.2	(11.4)
Net cash provided by operating activities	179.2	4.5
Investing activities		
Capital expenditures	(103.6)	(92.4)
Short-term notes receivable from related parties, net	13.8	12.6
Payments for assets transferred from WEC Business Services LLC	(25.6)	—
Other, net	0.1	(0.5)
Net cash used in investing activities	(115.3)	(80.3)
Financing activities		
Change in short-term debt	(134.1)	35.3
Equity contribution from parent	72.0	37.0
Other, net	—	(0.2)
Net cash (used in) provided by financing activities	(62.1)	72.1
Net change in cash and cash equivalents	1.8	(3.7)
Cash and cash equivalents at beginning of period	8.6	5.6
Cash and cash equivalents at end of period	\$ 10.4	\$ 1.9
Supplemental cash flow information		
Cash (paid) for interest	\$ (8.4)	\$ (8.1)
Cash received for income taxes, net	—	4.3