

THE PEOPLES GAS LIGHT AND COKE COMPANY

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

FINANCIAL STATEMENTS

For the Quarter Ended June 30, 2016

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited) <i>(in millions)</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
Operating revenues	\$ 192.2	\$ 186.5	\$ 575.1	\$ 627.5
Operating expenses				
Cost of natural gas	35.8	43.0	158.9	231.6
Other operation and maintenance	128.0	96.6	251.1	200.0
Depreciation and amortization	30.1	27.8	59.8	56.6
Property and revenue taxes	4.1	4.1	7.2	8.3
Total operating expenses	198.0	171.5	477.0	496.5
Operating income (loss)	(5.8)	15.0	98.1	131.0
Other income (expense), net	(0.3)	—	0.3	0.5
Interest expense	8.9	8.9	17.8	17.6
Other expense	(9.2)	(8.9)	(17.5)	(17.1)
Income (loss) before income taxes	(15.0)	6.1	80.6	113.9
Income tax expense (benefit)	(5.8)	2.7	41.2	46.5
Net income (loss)	\$ (9.2)	\$ 3.4	\$ 39.4	\$ 67.4

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share amounts)</i>	June 30 2016	December 31 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 11.1	6.6
Accounts receivable and unbilled revenues, net of reserves of \$34.3 and \$42.3, respectively	138.7	191.1
Receivables from related parties	0.5	1.3
Notes receivable from related parties	15.5	28.8
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	37.5	117.2
Materials and supplies	16.8	17.2
Temporary LIFO liquidation debit	28.8	—
Amounts recoverable from customers	26.0	25.1
Prepaid taxes	11.1	25.2
Other current assets	8.3	5.8
Current assets	294.3	418.3
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$1,173.2 and \$1,149.4, respectively	2,972.9	2,918.3
Regulatory assets	933.1	965.4
Other long-term assets	4.9	2.0
Long-term assets	3,910.9	3,885.7
Total assets	\$ 4,205.2	\$ 4,304.0
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term debt	\$ 65.2	\$ 122.7
Current portion of long-term debt	50.0	50.0
Accounts payable	154.3	191.0
Payables to related parties	18.1	16.7
Accrued taxes	17.7	27.5
Customer deposits	25.9	27.0
Customer credit balances	17.0	35.5
Amounts refundable to customers	10.1	26.3
Other current liabilities	37.1	51.0
Current liabilities	395.4	547.7
Long-term liabilities		
Long-term debt	742.8	792.5
Deferred income taxes	673.8	645.0
Deferred investment tax credits	26.3	26.6
Environmental remediation liabilities	423.8	441.0
Pension and OPEB obligations	336.4	322.9
Asset retirement obligations	466.0	454.9
Other long-term liabilities	138.9	111.1
Long-term liabilities	2,808.0	2,794.0
Commitments and contingencies		
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	337.3	287.3
Retained earnings	664.5	675.0
Total liabilities and shareholder's equity	\$ 4,205.2	\$ 4,304.0

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Six Months Ended	
	June 30	
<i>(in millions)</i>	2016	2015
Operating Activities		
Net income	\$ 39.4	\$ 67.4
Reconciliation to cash provided by operating activities		
Depreciation and amortization	61.5	58.4
Deferred income taxes and investment tax credits, net	29.8	25.5
Change in –		
Accounts receivable and unbilled revenues	68.2	138.8
Materials, supplies, and inventories	80.1	73.1
Temporary LIFO liquidation debit	(28.8)	(21.0)
Prepaid taxes	14.1	52.9
Other current assets	3.0	1.7
Accounts payable	(8.5)	(27.5)
Accrued taxes	(9.8)	(8.6)
Customer credit balances	(18.5)	(8.0)
Amounts refundable to customers	(16.2)	(8.2)
Other current liabilities	(0.9)	0.7
Other, net	11.2	(16.6)
Net cash provided by operating activities	224.6	328.6
Investing Activities		
Capital expenditures	(127.4)	(158.9)
Notes receivable from related parties, net	13.3	38.4
Other, net	1.6	7.3
Net cash used in investing activities	(112.5)	(113.2)
Financing Activities		
Change in short-term debt	(57.5)	(165.3)
Retirement of long-term debt	(50.0)	—
Payment of dividends to parent	(50.0)	—
Equity contribution from parent	50.0	—
Other, net	(0.1)	(0.2)
Net cash used in financing activities	(107.6)	(165.5)
Net change in cash and cash equivalents	4.5	49.9
Cash and cash equivalents at beginning of period	6.6	2.6
Cash and cash equivalents at end of period	\$ 11.1	\$ 52.5
Supplemental cash flow information		
Cash (paid) for interest	\$ (17.2)	\$ (16.8)
Cash received for income taxes, net of (payments)	2.7	43.8