

# **WISCONSIN GAS LLC**

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

## **FINANCIAL STATEMENTS**

**For the Quarter Ended June 30, 2016**

# WISCONSIN GAS LLC

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
<i>(in millions)</i>				
<b>Operating revenues</b>	<b>\$ 97.8</b>	<b>\$ 96.9</b>	<b>\$ 329.0</b>	<b>\$ 389.2</b>
<b>Operating expenses</b>				
Cost of natural gas sold	42.2	47.0	162.8	227.7
Other operation and maintenance	25.8	25.1	53.8	51.8
Depreciation and amortization	11.7	10.7	23.4	21.4
Property and revenue taxes	1.8	2.5	3.6	4.8
<b>Total operating expenses</b>	<b>81.5</b>	<b>85.3</b>	<b>243.6</b>	<b>305.7</b>
<b>Operating income</b>	<b>16.3</b>	<b>11.6</b>	<b>85.4</b>	<b>83.5</b>
Other income, net	0.2	1.1	0.3	1.7
Interest expense	3.5	2.8	7.2	6.0
<b>Other expense</b>	<b>(3.3)</b>	<b>(1.7)</b>	<b>(6.9)</b>	<b>(4.3)</b>
Income before income taxes	13.0	9.9	78.5	79.2
Income tax expense	5.3	3.8	31.6	30.6
<b>Net income</b>	<b>\$ 7.7</b>	<b>\$ 6.1</b>	<b>\$ 46.9</b>	<b>\$ 48.6</b>

# WISCONSIN GAS LLC

CONDENSED BALANCE SHEETS (Unaudited) (in millions)	June 30 2016	December 31 2015
<b>Assets</b>		
<b>Property, plant, and equipment</b>		
Property, plant, and equipment	\$ 2,079.3	\$ 2,037.8
Accumulated depreciation	(695.8)	(688.2)
<b>Net property, plant, and equipment</b>	<b>1,383.5</b>	<b>1,349.6</b>
<b>Current assets</b>		
Cash and cash equivalents	0.8	1.1
Accounts receivable and unbilled revenues, net of reserves of \$23.3 and \$22.5	59.4	96.5
Accounts receivable from related parties	0.7	—
Natural gas in storage inventory	28.7	53.2
Materials and supplies inventories	3.8	3.9
Prepayments	7.3	51.2
Other current assets	2.4	6.5
<b>Total current assets</b>	<b>103.1</b>	<b>212.4</b>
<b>Long-term assets</b>		
Regulatory assets	214.3	218.1
Prepaid pension and other benefit costs	130.6	128.9
Goodwill	95.9	95.9
Other long-term assets	19.6	16.4
<b>Long-term assets</b>	<b>460.4</b>	<b>459.3</b>
<b>Total assets</b>	<b>\$ 1,947.0</b>	<b>\$ 2,021.3</b>
<b>Capitalization and Liabilities</b>		
<b>Capitalization</b>		
Member's equity	\$ 780.1	\$ 793.1
Long-term debt	287.5	287.4
<b>Total capitalization</b>	<b>1,067.6</b>	<b>1,080.5</b>
<b>Current liabilities</b>		
Short-term debt	240.6	337.7
Accounts payable	15.9	29.4
Accounts payable to related parties	18.5	7.7
Accrued taxes	15.3	0.1
Refundable natural gas costs	19.3	2.2
Other current liabilities	15.4	31.0
<b>Total current liabilities</b>	<b>325.0</b>	<b>408.1</b>
<b>Long-term liabilities</b>		
Regulatory liabilities	192.6	191.4
Deferred income taxes	309.0	288.8
Environmental remediation obligation	32.5	24.4
Other long-term liabilities	20.3	28.1
<b>Long-term liabilities</b>	<b>554.4</b>	<b>532.7</b>
<b>Total capitalization and liabilities</b>	<b>\$ 1,947.0</b>	<b>\$ 2,021.3</b>

# WISCONSIN GAS LLC

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)		Six Months Ended	
		June 30	
(in millions)		2016	2015
<b>Operating activities</b>			
Net income	\$	46.9	\$ 48.6
Reconciliation to cash provided by operating activities			
Depreciation and amortization		24.0	22.1
Contributions and payments related to pension and OPEB plans		(1.4)	(1.5)
Deferred income taxes and investment tax credits, net		17.5	8.7
Change in -			
Accounts receivables and unbilled revenues		36.4	70.9
Materials, supplies, and inventories		24.6	43.8
Accounts payable		(2.6)	2.4
Accrued taxes, net		58.5	11.8
Refundable natural gas costs		17.0	8.6
Other current assets and liabilities, net		(4.3)	(3.5)
Other, net		(4.8)	(5.6)
<b>Net cash provided by operating activities</b>		<b>211.8</b>	<b>206.3</b>
<b>Investing activities</b>			
Capital expenditures		(54.5)	(121.9)
Other, net		(0.5)	(0.4)
<b>Net cash used in investing activities</b>		<b>(55.0)</b>	<b>(122.3)</b>
<b>Financing activities</b>			
Change in short-term debt		(97.1)	(68.8)
Dividends to WEC Energy Group		(60.0)	(15.0)
<b>Net cash used in financing activities</b>		<b>(157.1)</b>	<b>(83.8)</b>
Net change in cash and cash equivalents		(0.3)	0.2
Cash and cash equivalents at beginning of period		1.1	0.1
<b>Net cash and cash equivalents at end of period</b>	<b>\$</b>	<b>0.8</b>	<b>\$ 0.3</b>
<b>Supplemental cash flow information</b>			
Cash (paid) for interest	\$	(7.2)	\$ (5.9)
Cash received (paid) for income taxes	\$	44.0	\$ (6.0)