

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, 2017

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	
	2017	2016	2017	2016
Operating revenues	\$ 219.6	\$ 192.2	\$ 669.5	\$ 575.1
Operating expenses				
Cost of natural gas	50.8	35.8	215.3	158.9
Other operation and maintenance	93.2	128.0	201.4	251.1
Depreciation and amortization	33.8	30.1	66.6	59.8
Property and revenue taxes	4.8	4.1	9.4	7.2
Total operating expenses	182.6	198.0	492.7	477.0
Operating income (loss)	37.0	(5.8)	176.8	98.1
Other income (expense), net	0.3	(0.3)	0.7	0.3
Interest expense	9.9	8.9	20.2	17.8
Other expense	(9.6)	(9.2)	(19.5)	(17.5)
Income (loss) before income taxes	27.4	(15.0)	157.3	80.6
Income tax expense (benefit)	10.9	(5.8)	63.7	41.2
Net income (loss)	\$ 16.5	\$ (9.2)	\$ 93.6	\$ 39.4

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)		June 30	December 31
(in millions, except share amounts)		2017	2016
Assets			
Current assets			
Cash and cash equivalents	\$	1.1	\$ 5.6
Accounts receivable and unbilled revenues, net of reserves of \$40.0 and \$39.2, respectively		233.5	301.3
Receivables from related parties		3.3	7.4
Notes receivable from related parties		28.0	40.2
Materials, supplies, and inventories:			
Natural gas in storage, at LIFO		31.8	83.5
Materials and supplies		15.5	14.3
Other		5.2	24.5
Current assets		318.4	476.8
Long-term assets			
Property, plant, and equipment, net of accumulated depreciation of \$1,230.1 and \$1,192.0, respectively		3,276.6	3,124.7
Regulatory assets		887.7	895.8
Other		6.3	9.1
Long-term assets		4,170.6	4,029.6
Total assets	\$	4,489.0	\$ 4,506.4
Liabilities and Shareholder's Equity			
Current liabilities			
Short-term debt	\$	33.1	\$ 51.2
Accounts payable		214.1	236.0
Payables to related parties		18.0	20.3
Accrued payroll		20.2	24.5
Accrued taxes		73.4	61.6
Customer deposits		36.2	32.1
Customer credit balances		14.9	27.4
Other		28.5	22.2
Current liabilities		438.4	475.3
Long-term liabilities			
Long-term debt		941.2	941.6
Deferred income taxes		729.4	670.2
Deferred investment tax credits		25.7	25.8
Environmental remediation liabilities		397.1	406.7
Pension and OPEB obligations		144.9	334.9
Asset retirement obligations		448.5	437.9
Other		164.4	185.3
Long-term liabilities		2,851.2	3,002.4
Commitments and contingencies			
Shareholder's equity			
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding		414.4	337.3
Retained earnings		785.0	691.4
Shareholder's equity		1,199.4	1,028.7
Total liabilities and shareholder's equity	\$	4,489.0	\$ 4,506.4

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Six Months Ended	
	June 30	
<i>(in millions)</i>	2017	2016
Operating activities		
Net income	\$ 93.6	\$ 39.4
Reconciliation to cash provided by operating activities		
Depreciation and amortization	66.6	61.5
Deferred income taxes and investment tax credits, net	60.1	29.8
Cash paid for pension plan assets transferred	(195.8)	—
Change in –		
Accounts receivable and unbilled revenues	83.1	68.2
Materials, supplies, and inventories	50.5	80.1
Temporary LIFO liquidation debit	(0.5)	(28.8)
Prepaid taxes	2.1	14.1
Other current assets	3.0	3.0
Accounts payable	(30.8)	(8.5)
Accrued taxes	11.8	(9.8)
Customer credit balances	(12.5)	(18.5)
Amounts refundable to customers	5.9	(16.2)
Other current liabilities	(1.4)	(0.9)
Other, net	(15.2)	11.2
Net cash provided by operating activities	120.5	224.6
Investing activities		
Capital expenditures	(193.9)	(127.4)
Short-term notes receivable from related parties, net	12.2	13.3
Proceeds from assets transferred to WEC Business Services LLC	21.7	—
Payments for assets transferred from WEC Business Services LLC	(22.5)	—
Other, net	(0.7)	1.6
Net cash used in investing activities	(183.2)	(112.5)
Financing activities		
Change in short-term debt	(18.1)	(57.5)
Retirement of long-term debt	—	(50.0)
Payment of dividends to parent	—	(50.0)
Equity contribution from parent	77.0	50.0
Other, net	(0.7)	(0.1)
Net cash provided by (used in) financing activities	58.2	(107.6)
Net change in cash and cash equivalents	(4.5)	4.5
Cash and cash equivalents at beginning of period	5.6	6.6
Cash and cash equivalents at end of period	\$ 1.1	\$ 11.1
Supplemental cash flow information		
Cash (paid) for interest	\$ (19.7)	\$ (17.2)
Cash received for income taxes, net	21.5	2.7