

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, 2018

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(in millions)</i>	2018	2017	2018	2017
Operating revenues	\$ 233.3	\$ 219.6	\$ 669.2	\$ 669.5
Operating expenses				
Cost of natural gas	60.4	50.8	221.0	215.3
Other operation and maintenance	91.3	90.9	191.8	197.9
Depreciation and amortization	37.8	33.8	74.8	66.6
Property and revenue taxes	4.7	4.8	9.1	9.4
Total operating expenses	194.2	180.3	496.7	489.2
Operating income	39.1	39.3	172.5	180.3
Other expense, net	(1.5)	(2.0)	(2.7)	(2.8)
Interest expense	11.3	9.9	22.8	20.2
Other expense	(12.8)	(11.9)	(25.5)	(23.0)
Income before income taxes	26.3	27.4	147.0	157.3
Income tax expense	7.2	10.9	38.9	63.7
Net income	\$ 19.1	\$ 16.5	\$ 108.1	\$ 93.6

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share amounts)</i>		June 30	December 31
		2018	2017
Assets			
Current assets			
Cash and cash equivalents	\$	1.0	\$ 8.6
Accounts receivable and unbilled revenues, net of reserves of \$83.7 and \$72.6, respectively		249.4	309.0
Receivables from related parties		16.7	7.4
Notes receivable from related parties		31.4	50.0
Materials, supplies, and inventories:			
Natural gas in storage, at LIFO		28.0	62.2
Materials and supplies		25.5	21.5
Other		15.7	27.5
Current assets		367.7	486.2
Long-term assets			
Property, plant, and equipment, net of accumulated depreciation of \$1,351.4 and \$1,261.7, respectively		3,669.0	3,545.8
Regulatory assets		864.1	843.0
Other		51.8	33.7
Long-term assets		4,584.9	4,422.5
Total assets	\$	4,952.6	\$ 4,908.7
Liabilities and Shareholder's Equity			
Current liabilities			
Short-term debt	\$	140.4	\$ 239.9
Current portion of long-term debt		5.0	5.0
Accounts payable		179.0	222.8
Payables to related parties		38.8	28.5
Temporary LIFO liquidation credit		11.1	—
Accrued taxes		50.1	73.0
Customer deposits		28.0	33.3
Customer credit balances		26.1	41.0
Other		45.4	51.8
Current liabilities		523.9	695.3
Long-term liabilities			
Long-term debt		1,036.1	1,035.6
Deferred income taxes		430.1	429.2
Deferred investment tax credits		25.3	25.6
Regulatory liabilities		488.7	466.0
Environmental remediation liabilities		385.6	385.6
Pension and OPEB obligations		165.0	159.0
Asset retirement obligations		454.1	443.5
Other		48.9	54.4
Long-term liabilities		3,033.8	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		486.6	414.3
Retained earnings		908.3	800.2
Shareholder's equity		1,394.9	1,214.5
Total liabilities and shareholder's equity	\$	4,952.6	\$ 4,908.7

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Six Months Ended	
		June 30	
<i>(in millions)</i>		2018	2017
Operating activities			
Net income	\$	108.1	\$ 93.6
Reconciliation to cash provided by operating activities			
Depreciation and amortization		74.8	66.6
Deferred income taxes and investment tax credits, net		(3.8)	60.1
Cash paid for pension plan assets transferred		—	(195.8)
Change in –			
Accounts receivable and unbilled revenues		50.9	59.0
Materials, supplies, and inventories		30.2	50.5
Amounts recoverable from customers		13.6	24.1
Other current assets		7.8	4.6
Accounts payable		(11.3)	(30.8)
Temporary LIFO liquidation credit		11.1	—
Accrued taxes		(22.9)	11.8
Customer credit balances		(14.9)	(12.5)
Other current liabilities		(9.5)	4.5
Other, net		(4.3)	(15.2)
Net cash provided by operating activities		229.8	120.5
Investing activities			
Capital expenditures		(204.1)	(193.9)
Short-term notes receivable from related parties, net		18.6	12.2
Proceeds from assets transferred to WEC Business Services LLC		—	21.7
Payments for assets transferred from WEC Business Services LLC		(24.9)	(22.5)
Other, net		0.5	(0.7)
Net cash used in investing activities		(209.9)	(183.2)
Financing activities			
Change in short-term debt		(99.5)	(18.1)
Equity contribution from parent		72.0	77.0
Other, net		—	(0.7)
Net cash (used in) provided by financing activities		(27.5)	58.2
Net change in cash and cash equivalents		(7.6)	(4.5)
Cash and cash equivalents at beginning of period		8.6	5.6
Cash and cash equivalents at end of period	\$	1.0	\$ 1.1
Supplemental cash flow information			
Cash (paid) for interest	\$	(22.0)	\$ (19.7)
Cash (paid) received for income taxes, net		(51.4)	21.5