

# **THE PEOPLES GAS LIGHT AND COKE COMPANY**

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

## **FINANCIAL STATEMENTS**

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

**THE PEOPLES GAS LIGHT AND COKE COMPANY**

<b>CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)</b>  <i>(in millions)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Operating revenues</b>	<b>\$ 158.1</b>	<b>\$ 146.8</b>	<b>\$ 733.2</b>	<b>\$ 774.3</b>
<b>Operating expenses</b>				
Cost of natural gas	20.1	25.1	179.0	256.7
Other operation and maintenance	92.8	88.6	343.9	288.6
Depreciation and amortization	30.3	28.2	90.1	84.8
Property and revenue taxes	4.9	4.1	12.1	12.4
<b>Total operating expenses</b>	<b>148.1</b>	<b>146.0</b>	<b>625.1</b>	<b>642.5</b>
<b>Operating income</b>	<b>10.0</b>	<b>0.8</b>	<b>108.1</b>	<b>131.8</b>
Other (expense) income, net	(1.4)	0.2	(1.1)	0.7
Interest expense	8.4	8.8	26.2	26.4
<b>Other expense</b>	<b>(9.8)</b>	<b>(8.6)</b>	<b>(27.3)</b>	<b>(25.7)</b>
Income (loss) before income taxes	0.2	(7.8)	80.8	106.1
Income tax expense (benefit)	0.9	(3.2)	42.1	43.3
<b>Net (loss) income</b>	<b>\$ (0.7)</b>	<b>\$ (4.6)</b>	<b>\$ 38.7</b>	<b>\$ 62.8</b>

**THE PEOPLES GAS LIGHT AND COKE COMPANY**

<b>CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)</b> <i>(in millions, except share amounts)</i>	<b>September 30</b> <b>2016</b>	<b>December 31</b> <b>2015</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2.7	\$ 6.6
Accounts receivable and unbilled revenues, net of reserves of \$35.1 and \$42.3, respectively	125.4	191.1
Receivables from related parties	4.2	1.3
Notes receivable from related parties	31.1	28.8
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	125.7	117.2
Materials and supplies	16.3	17.2
Amounts recoverable from customers	36.0	25.1
Prepaid taxes	15.7	25.2
Other current assets	5.8	5.8
<b>Current assets</b>	<b>362.9</b>	<b>418.3</b>
<b>Long-term assets</b>		
Property, plant, and equipment, net of accumulated depreciation of \$1,185.2 and \$1,149.4, respectively	3,008.8	2,918.3
Regulatory assets	922.1	965.4
Other long-term assets	1.9	2.0
<b>Long-term assets</b>	<b>3,932.8</b>	<b>3,885.7</b>
<b>Total assets</b>	<b>\$ 4,295.7</b>	<b>\$ 4,304.0</b>
<b>Liabilities and Shareholder's Equity</b>		
<b>Current liabilities</b>		
Short-term debt	\$ 132.2	\$ 122.7
Current portion of long-term debt	50.0	50.0
Accounts payable	177.7	191.0
Payables to related parties	14.6	16.7
Accrued taxes	17.4	27.5
Customer deposits	28.2	27.0
Customer credit balances	25.2	35.5
Amounts refundable to customers	3.6	26.3
Other current liabilities	33.2	51.0
<b>Current liabilities</b>	<b>482.1</b>	<b>547.7</b>
<b>Long-term liabilities</b>		
Long-term debt	743.5	792.5
Deferred income taxes	683.4	645.0
Deferred investment tax credits	26.2	26.6
Environmental remediation liabilities	415.1	441.0
Pension and OPEB obligations	342.4	322.9
Asset retirement obligations	471.6	454.9
Other long-term liabilities	130.4	111.1
<b>Long-term liabilities</b>	<b>2,812.6</b>	<b>2,794.0</b>
<b>Commitments and contingencies</b>		
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	337.3	287.3
Retained earnings	663.7	675.0
<b>Total liabilities and shareholder's equity</b>	<b>\$ 4,295.7</b>	<b>\$ 4,304.0</b>

**THE PEOPLES GAS LIGHT AND COKE COMPANY**

<b>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)</b>	<b>Nine Months Ended</b>	
	<b>September 30</b>	
<i>(in millions)</i>	<b>2016</b>	<b>2015</b>
<b>Operating Activities</b>		
Net income	\$ 38.7	\$ 62.8
Reconciliation to cash provided by operating activities		
Depreciation and amortization	92.9	87.5
Deferred income taxes and investment tax credits, net	39.9	36.9
Change in –		
Accounts receivable and unbilled revenues	89.4	188.8
Materials, supplies, and inventories	(7.6)	(18.1)
Amounts recoverable from customers	(10.9)	(0.5)
Prepaid taxes	9.5	46.9
Other current assets	4.1	3.2
Accounts payable	6.2	(27.5)
Accrued taxes	(10.1)	(20.5)
Customer credit balances	(10.3)	4.4
Amounts refundable to customers	(22.7)	(10.0)
Other current liabilities	1.4	(0.8)
Other, net	5.3	(22.1)
<b>Net cash provided by operating activities</b>	<b>225.8</b>	<b>331.0</b>
<b>Investing Activities</b>		
Capital expenditures	(188.9)	(239.7)
Notes receivable from related parties, net	(2.3)	27.7
Other, net	2.1	7.4
<b>Net cash used in investing activities</b>	<b>(189.1)</b>	<b>(204.6)</b>
<b>Financing Activities</b>		
Change in short-term debt	9.5	(126.1)
Retirement of long-term debt	(50.0)	—
Payment of dividends to parent	(50.0)	—
Equity contribution from parent	50.0	—
Other, net	(0.1)	(0.5)
<b>Net cash used in financing activities</b>	<b>(40.6)</b>	<b>(126.6)</b>
<b>Net change in cash and cash equivalents</b>	<b>(3.9)</b>	<b>(0.2)</b>
Cash and cash equivalents at beginning of period	6.6	2.6
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2.7</b>	<b>\$ 2.4</b>
<b>Supplemental cash flow information</b>		
Cash (paid) for interest	\$ (25.1)	\$ (24.5)
Cash received for income taxes, net of (payments)	7.3	40.3