

WISCONSIN GAS LLC

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

FINANCIAL STATEMENTS

For the Quarter Ended September 30, 2016

WISCONSIN GAS LLC

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
<i>(in millions)</i>	2016	2015	2016	2015
Operating revenues	\$ 69.0	\$ 70.7	\$ 398.0	\$ 459.9
Operating expenses				
Cost of natural gas sold	29.3	32.7	192.1	260.4
Other operation and maintenance	28.8	26.1	82.6	77.9
Depreciation and amortization	11.8	10.9	35.2	32.3
Property and revenue taxes	1.8	2.3	5.4	7.1
Total operating expenses	71.7	72.0	315.3	377.7
Operating (loss) income	(2.7)	(1.3)	82.7	82.2
Other income, net	0.3	1.9	0.6	3.6
Interest expense	3.7	2.7	10.9	8.7
Other expense	(3.4)	(0.8)	(10.3)	(5.1)
(Loss) income before income taxes	(6.1)	(2.1)	72.4	77.1
Income tax (benefit) expense	(2.4)	(0.8)	29.2	29.8
Net (loss) income	\$ (3.7)	\$ (1.3)	\$ 43.2	\$ 47.3

WISCONSIN GAS LLC

CONDENSED BALANCE SHEETS (Unaudited) (in millions)	September 30 2016	December 31 2015
Assets		
Property, plant, and equipment		
Property, plant, and equipment	\$ 2,104.7	\$ 2,037.8
Accumulated depreciation	(698.9)	(688.2)
Net property, plant, and equipment	1,405.8	1,349.6
Current assets		
Cash and cash equivalents	0.3	1.1
Accounts receivable and unbilled revenues, net of reserves of \$22.4 and \$22.5	39.8	96.5
Accounts receivable from related parties	0.7	—
Natural gas in storage inventory	54.0	53.2
Materials and supplies inventories	4.1	3.9
Prepayments	5.6	51.2
Other current assets	2.4	6.5
Total current assets	106.9	212.4
Long-term assets		
Regulatory assets	211.6	218.1
Prepaid pension and other benefit costs	132.9	128.9
Goodwill	95.9	95.9
Other long-term assets	19.4	16.4
Long-term assets	459.8	459.3
Total assets	\$ 1,972.5	\$ 2,021.3
Capitalization and Liabilities		
Capitalization		
Member's equity	\$ 768.9	\$ 793.1
Long-term debt	485.6	287.4
Total capitalization	1,254.5	1,080.5
Current liabilities		
Short-term debt	93.0	337.7
Accounts payable	20.2	29.4
Accounts payable to related parties	11.3	7.7
Accrued taxes	2.3	0.1
Amounts refundable to customers	15.1	16.6
Other current liabilities	10.2	16.6
Total current liabilities	152.1	408.1
Long-term liabilities		
Regulatory liabilities	194.6	191.4
Deferred income taxes	318.8	288.8
Environmental remediation obligation	32.5	24.4
Other long-term liabilities	20.0	28.1
Long-term liabilities	565.9	532.7
Total capitalization and liabilities	\$ 1,972.5	\$ 2,021.3

WISCONSIN GAS LLC

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)	Nine Months Ended September 30	
	2016	2015
<i>(in millions)</i>		
Operating activities		
Net income	\$ 43.2	\$ 47.3
Reconciliation to cash provided by operating activities		
Depreciation and amortization	36.1	33.2
Contributions and payments related to pension and OPEB plans	(2.1)	(2.2)
Deferred income taxes and investment tax credits, net	26.0	13.1
Change in -		
Accounts receivables and unbilled revenues	56.0	107.8
Materials, supplies, and inventories	(1.0)	17.7
Prepaid taxes	44.8	0.2
Other current assets	6.2	(0.4)
Accounts payable	(5.6)	(17.8)
Amounts refundable to customers	(1.5)	(8.3)
Other current liabilities	(0.1)	0.4
Other, net	(0.1)	(15.5)
Net cash provided by operating activities	201.9	175.5
Investing activities		
Capital expenditures	(87.4)	(185.2)
Other, net	(1.2)	(0.8)
Net cash used in investing activities	(88.6)	(186.0)
Financing activities		
Change in short-term debt	(244.7)	(165.1)
Issuance of long-term debt	200.0	200.0
Dividends to WEC Energy Group	(67.5)	(22.5)
Other, net	(1.9)	(1.8)
Net cash (used in) provided by financing activities	(114.1)	10.6
Net change in cash and cash equivalents	(0.8)	0.1
Cash and cash equivalents at beginning of period	1.1	0.1
Net cash and cash equivalents at end of period	\$ 0.3	\$ 0.2
Supplemental cash flow information		
Cash (paid) for interest	\$ (11.1)	\$ (5.6)
Cash received (paid) for income taxes	\$ 43.1	\$ (17.3)