

MICHIGAN GAS UTILITIES CORPORATION

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

FINANCIAL STATEMENTS

For the Quarter Ended September 30, 2017

MICHIGAN GAS UTILITIES CORPORATION

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
<i>(in millions)</i>				
Operating revenues	\$ 17.7	\$ 17.0	\$ 95.7	\$ 89.5
Operating expenses				
Cost of natural gas	5.4	5.3	42.4	36.4
Other operation and maintenance	8.3	8.4	25.9	31.7
Depreciation and amortization	3.0	2.4	8.7	7.2
Property and revenue taxes	1.1	1.1	3.4	3.2
Total operating expenses	17.8	17.2	80.4	78.5
Operating income	(0.1)	(0.2)	15.3	11.0
Other income (expense)	0.1	(0.1)	0.1	—
Interest expense	1.0	0.8	3.2	2.8
Other expense	(0.9)	(0.9)	(3.1)	(2.8)
(Loss) income before income taxes	(1.0)	(1.1)	12.2	8.2
Income tax (benefit) expense	(0.4)	(0.3)	4.8	3.4
Net (loss) income	\$ (0.6)	\$ (0.8)	\$ 7.4	\$ 4.8

MICHIGAN GAS UTILITIES CORPORATION

CONDENSED BALANCE SHEETS (Unaudited) (in millions, except share amounts)	September 30 2017	December 31 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 0.2	\$ 0.6
Accounts receivable and unbilled revenues, net of reserves of \$1.8 and \$1.9, respectively	16.2	31.7
Receivables from related parties	—	0.1
Materials, supplies, and inventory		
Natural gas in storage	20.7	13.7
Materials and supplies	0.8	0.7
Prepaid property taxes	1.1	4.3
Other	1.4	3.3
Current assets	40.4	54.4
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$174.5 and \$170.4, respectively	248.5	231.9
Regulatory assets	63.1	65.7
Goodwill	34.5	34.5
Other	12.2	8.4
Long-term assets	358.3	340.5
Total assets	\$ 398.7	\$ 394.9
Liabilities and Equity		
Current liabilities		
Short-term debt to parent	22.7	41.2
Accounts payable	8.7	10.9
Accounts payable to related parties	1.6	2.5
Accrued taxes	2.2	4.4
Customer credit balances	8.5	6.6
Other	3.6	4.4
Current liabilities	47.3	70.0
Long-term liabilities		
Long-term debt	90.0	—
Long-term debt to parent	—	71.0
Deferred income taxes	62.5	50.8
Regulatory liabilities	27.2	25.7
Deferred investment tax credits	0.5	0.5
Environmental remediation liabilities	22.7	22.9
Other	6.3	12.6
Long-term liabilities	209.2	183.5
Commitments and contingencies		
Common stock – without par value, 100 shares authorized; 100 shares issued and outstanding	125.5	132.1
Retained earnings	16.7	9.3
Total common shareholder's equity	142.2	141.4
Total liabilities and equity	\$ 398.7	\$ 394.9

MICHIGAN GAS UTILITIES CORPORATION

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)		Nine Months Ended	
		September 30	
<i>(in millions)</i>		2017	2016
Operating activities			
Net income	\$	7.4	\$ 4.8
Reconciliation to cash provided by operating activities			
Depreciation and amortization		8.7	7.2
Deferred income taxes and investment tax credits, net		11.8	5.9
Cash paid for pension plan assets transferred		(8.5)	—
Change in –			
Accounts receivable and unbilled revenues		15.6	5.5
Materials, supplies, and inventories		(7.1)	2.5
Other current assets		4.0	6.3
Accounts payable		(3.3)	(3.2)
Accrued taxes		(2.2)	(2.2)
Other current liabilities		0.9	(3.2)
Other, net		1.5	5.7
Net cash provided by operating activities		28.8	29.3
Investing activities			
Capital expenditures		(20.3)	(19.3)
Payments for assets transferred from WEC Business Services LLC		(2.2)	—
Net cash used in investing activities		(22.5)	(19.3)
Financing activities			
Short-term debt to parent, net		(18.5)	(9.9)
Issuance of long-term debt to parent		—	28.0
Retirement of long-term debt to parent		(71.0)	(28.0)
Issuance of long-term debt		90.0	—
Return of capital to parent		(6.5)	(10.0)
Equity contribution from parent		—	10.0
Other, net		(0.7)	—
Net cash used in financing activities		(6.7)	(9.9)
Net change in cash and cash equivalents		(0.4)	0.1
Cash and cash equivalents at beginning of period		0.6	0.1
Cash and cash equivalents at end of period	\$	0.2	\$ 0.2
Supplemental cash flow information			
Cash (paid) for interest, net of amount capitalized	\$	(3.2)	\$ (2.7)
Cash received for income taxes, net		7.7	4.9