

# **NORTH SHORE GAS COMPANY**

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

## **FINANCIAL STATEMENTS**

**For the Quarter Ended September 30, 2017**

# NORTH SHORE GAS COMPANY

CONDENSED INCOME STATEMENTS (Unaudited)  (in millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
<b>Operating revenues</b>	\$ 23.1	\$ 23.7	\$ 132.1	\$ 119.9
<b>Operating expenses</b>				
Cost of natural gas	6.5	6.0	64.0	51.8
Other operation and maintenance	11.7	12.5	35.0	39.8
Depreciation and amortization	3.8	3.1	10.9	9.2
Property and revenue taxes	0.4	0.4	1.4	1.4
<b>Total operating expenses</b>	<b>22.4</b>	<b>22.0</b>	<b>111.3</b>	<b>102.2</b>
<b>Operating income</b>	<b>0.7</b>	<b>1.7</b>	<b>20.8</b>	<b>17.7</b>
Other income, net	0.1	—	0.1	0.1
Interest expense	1.0	0.9	2.9	2.7
<b>Other expense</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(2.8)</b>	<b>(2.6)</b>
(Loss) income before income taxes	(0.2)	0.8	18.0	15.1
Income tax expense	—	0.4	7.3	6.3
<b>Net (loss) income</b>	<b>\$ (0.2)</b>	<b>\$ 0.4</b>	<b>\$ 10.7</b>	<b>\$ 8.8</b>

# NORTH SHORE GAS COMPANY

CONDENSED BALANCE SHEETS (Unaudited) (in millions, except share amounts)	September 30 2017	December 31 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 0.2	\$ 0.4
Accounts receivable and unbilled revenues, net of reserves of \$1.5 and \$1.3, respectively	22.2	36.3
Receivables from related parties	0.6	0.3
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	25.8	19.8
Materials and supplies	2.2	1.6
Liquid propane	0.7	0.7
Derivative assets	0.4	3.2
Other	0.2	2.0
<b>Current assets</b>	<b>52.3</b>	<b>64.3</b>
<b>Long-term assets</b>		
Property, plant, and equipment, net of accumulated depreciation of \$198.8 and \$192.5, respectively	371.5	355.9
Regulatory assets	66.5	68.4
Other	1.0	1.6
<b>Long-term assets</b>	<b>439.0</b>	<b>425.9</b>
<b>Total assets</b>	<b>\$ 491.3</b>	<b>\$ 490.2</b>
<b>Liabilities and Shareholder's Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 18.9	\$ 26.3
Payables to related parties	2.8	2.9
Notes payable to related parties	40.8	40.2
Accrued taxes	3.4	3.0
Customer credit balances	7.1	4.9
Other	11.0	8.1
<b>Current liabilities</b>	<b>84.0</b>	<b>85.4</b>
<b>Long-term liabilities</b>		
Long-term debt	81.5	81.5
Deferred income taxes	101.0	94.9
Deferred investment tax credits	2.7	2.7
Regulatory liabilities	15.0	20.0
Environmental remediation liabilities	43.8	44.6
Pension and OPEB obligations	19.5	18.7
Asset retirement obligations	18.1	17.4
Other	5.5	5.5
<b>Long-term liabilities</b>	<b>287.1</b>	<b>285.3</b>
Commitments and contingencies		
<b>Shareholder's equity</b>		
Common stock, without par value, 5,000,000 shares authorized; 3,625,887 shares issued and outstanding	33.0	33.0
Retained earnings	87.2	86.5
<b>Shareholder's equity</b>	<b>120.2</b>	<b>119.5</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 491.3</b>	<b>\$ 490.2</b>

# NORTH SHORE GAS COMPANY

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)	Nine Months Ended	
	September 30	
(in millions)	2017	2016
<b>Operating activities</b>		
Net income	\$ 10.7	\$ 8.8
Reconciliation to cash provided by operating activities		
Depreciation and amortization	10.9	9.6
Deferred income taxes and investment tax credits, net	1.7	2.0
Change in –		
Accounts receivable and unbilled revenues	14.1	12.7
Materials, supplies, and inventories	(6.6)	(14.2)
Other current assets	1.9	0.4
Accounts payable	(4.7)	(1.6)
Other current liabilities	5.1	(3.7)
Other, net	0.7	3.4
<b>Net cash provided by operating activities</b>	<b>33.8</b>	<b>17.4</b>
<b>Investing activities</b>		
Capital expenditures	(20.5)	(15.5)
Payments for assets transferred from WEC Business Services LLC	(4.8)	—
Other, net	0.7	0.3
<b>Net cash used in investing activities</b>	<b>(24.6)</b>	<b>(15.2)</b>
<b>Financing activities</b>		
Short-term notes payable to related parties, net	0.6	2.3
Payment of dividends to parent	(10.0)	(12.5)
Equity contribution from parent	—	8.0
<b>Net cash used in financing activities</b>	<b>(9.4)</b>	<b>(2.2)</b>
<b>Net change in cash and cash equivalents</b>	<b>(0.2)</b>	<b>—</b>
Cash and cash equivalents at beginning of period	0.4	0.3
<b>Cash and cash equivalents at end of period</b>	<b>\$ 0.2</b>	<b>\$ 0.3</b>
<b>Supplemental Cash Flow Information</b>		
Cash (paid) for interest	\$ (1.9)	\$ (1.8)
Cash (paid) for income taxes, net	(2.4)	(5.1)