

# **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, 2017**

**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>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Operating revenues</b>	<b>\$ 164.1</b>	<b>\$ 158.1</b>	<b>\$ 833.6</b>	<b>\$ 733.2</b>
<b>Operating expenses</b>				
Cost of natural gas	25.2	20.1	240.5	179.0
Other operation and maintenance	88.6	92.8	290.0	343.9
Depreciation and amortization	35.1	30.3	101.7	90.1
Property and revenue taxes	3.5	4.9	12.9	12.1
<b>Total operating expenses</b>	<b>152.4</b>	<b>148.1</b>	<b>645.1</b>	<b>625.1</b>
<b>Operating income</b>	<b>11.7</b>	<b>10.0</b>	<b>188.5</b>	<b>108.1</b>
Other income (expense), net	0.5	(1.4)	1.2	(1.1)
Interest expense	10.1	8.4	30.3	26.2
<b>Other expense</b>	<b>(9.6)</b>	<b>(9.8)</b>	<b>(29.1)</b>	<b>(27.3)</b>
Income before income taxes	2.1	0.2	159.4	80.8
Income tax expense	1.5	0.9	65.2	42.1
<b>Net income (loss)</b>	<b>\$ 0.6</b>	<b>\$ (0.7)</b>	<b>\$ 94.2</b>	<b>\$ 38.7</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>December 31</b>
		<b>2017</b>	<b>2016</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$	1.3	\$ 5.6
Accounts receivable and unbilled revenues, net of reserves of \$40.3 and \$39.2, respectively		211.2	301.3
Receivables from related parties		6.1	7.4
Notes receivable from related parties		40.8	40.2
Materials, supplies, and inventories:			
Natural gas in storage, at LIFO		94.4	83.5
Materials and supplies		18.5	14.3
Other		4.9	24.5
<b>Current assets</b>		<b>377.2</b>	<b>476.8</b>
<b>Long-term assets</b>			
Property, plant, and equipment, net of accumulated depreciation of \$1,242.4 and \$1,192.0, respectively		3,419.0	3,124.7
Regulatory assets		905.3	895.8
Other		8.1	9.1
<b>Long-term assets</b>		<b>4,332.4</b>	<b>4,029.6</b>
<b>Total assets</b>	<b>\$</b>	<b>4,709.6</b>	<b>\$ 4,506.4</b>
<b>Liabilities and Shareholder's Equity</b>			
<b>Current liabilities</b>			
Short-term debt	\$	136.8	\$ 51.2
Accounts payable		238.0	236.0
Payables to related parties		19.0	20.3
Accrued payroll		18.5	24.5
Accrued taxes		44.1	61.6
Customer deposits		35.7	32.1
Customer credit balances		40.8	27.4
Other		38.1	22.2
<b>Current liabilities</b>		<b>571.0</b>	<b>475.3</b>
<b>Long-term liabilities</b>			
Long-term debt		941.3	941.6
Deferred income taxes		801.9	670.2
Deferred investment tax credits		25.7	25.8
Environmental remediation liabilities		391.1	406.7
Pension and OPEB obligations		162.5	334.9
Asset retirement obligations		453.8	437.9
Other		162.4	185.3
<b>Long-term liabilities</b>		<b>2,938.7</b>	<b>3,002.4</b>
<b>Commitments and contingencies</b>			
<b>Shareholder's equity</b>			
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding		414.4	337.3
Retained earnings		785.5	691.4
<b>Shareholder's equity</b>		<b>1,199.9</b>	<b>1,028.7</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$</b>	<b>4,709.6</b>	<b>\$ 4,506.4</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>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Net income	\$ 94.2	\$ 38.7
Reconciliation to cash provided by operating activities		
Depreciation and amortization	101.7	92.9
Deferred income taxes and investment tax credits, net	105.7	39.9
Cash paid for pension plan assets transferred	(181.3)	—
Change in –		
Accounts receivable and unbilled revenues	107.5	78.5
Materials, supplies, and inventories	(15.1)	(7.6)
Prepaid taxes	2.2	9.5
Other current assets	3.4	4.1
Accounts payable	(25.6)	6.2
Accrued taxes	(17.5)	(10.1)
Customer credit balances	13.4	(10.3)
Amounts refundable to customers	12.9	(22.7)
Other current liabilities	(1.1)	1.4
Other, net	(28.7)	5.3
<b>Net cash provided by operating activities</b>	<b>171.7</b>	<b>225.8</b>
<b>Investing activities</b>		
Capital expenditures	(336.3)	(188.9)
Short-term notes receivable from related parties, net	(0.6)	(2.3)
Proceeds from assets transferred to WEC Business Services LLC	24.9	0.4
Payments for assets transferred from WEC Business Services LLC	(25.4)	—
Other, net	(0.4)	1.7
<b>Net cash used in investing activities</b>	<b>(337.8)</b>	<b>(189.1)</b>
<b>Financing activities</b>		
Change in short-term debt	85.6	9.5
Retirement of long-term debt	—	(50.0)
Payment of dividends to parent	—	(50.0)
Equity contribution from parent	77.0	50.0
Other, net	(0.8)	(0.1)
<b>Net cash provided by (used in) financing activities</b>	<b>161.8</b>	<b>(40.6)</b>
<b>Net change in cash and cash equivalents</b>	<b>(4.3)</b>	<b>(3.9)</b>
Cash and cash equivalents at beginning of period	5.6	6.6
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1.3</b>	<b>\$ 2.7</b>
<b>Supplemental cash flow information</b>		
Cash (paid) for interest	\$ (27.7)	\$ (25.1)
Cash received for income taxes, net	40.0	7.3