

WISCONSIN GAS LLC

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

FINANCIAL STATEMENTS

For the Quarter Ended September 30, 2017

WISCONSIN GAS LLC

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months		Nine Months	
	September 30		September 30	
<i>(in millions)</i>	2017	2016	2017	2016
Operating revenues	\$ 73.0	\$ 69.0	\$ 417.1	\$ 398.0
Operating expenses				
Cost of natural gas sold	31.9	29.3	212.9	192.1
Other operation and maintenance	23.4	28.8	74.2	82.6
Depreciation and amortization	12.1	11.8	36.1	35.2
Property and revenue taxes	1.6	1.8	4.6	5.4
Total operating expenses	69.0	71.7	327.8	315.3
Operating income (loss)	4.0	(2.7)	89.3	82.7
Other income, net	0.6	0.3	1.2	0.6
Interest expense	5.4	3.7	16.1	10.9
Other expense	(4.8)	(3.4)	(14.9)	(10.3)
(Loss) income before income taxes	(0.8)	(6.1)	74.4	72.4
Income tax (benefit) expense	(0.6)	(2.4)	29.7	29.2
Net (loss) income	\$ (0.2)	\$ (3.7)	\$ 44.7	\$ 43.2

WISCONSIN GAS LLC

CONDENSED BALANCE SHEETS (Unaudited) (in millions)	September 30 2017	December 31 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 0.5	\$ 4.4
Accounts receivable and unbilled revenues, net of reserves of \$21.0 and \$19.6	43.0	120.2
Accounts receivable from related parties	0.6	0.8
Materials, supplies, and inventory:		
Natural gas in storage	66.4	42.3
Materials and supplies	4.9	4.3
Prepayments	5.4	11.5
Other	1.8	2.7
Current assets	122.6	186.2
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$718.4 and \$701.8	1,519.6	1,438.7
Regulatory assets	215.7	212.2
Prepaid pension and other benefit costs	142.3	142.3
Goodwill	95.9	95.9
Other	20.0	18.0
Long-term assets	1,993.5	1,907.1
Total assets	\$ 2,116.1	\$ 2,093.3
Liabilities and Member's Equity		
Current liabilities		
Short-term debt	\$ 132.0	\$ 151.5
Accounts payable	22.6	36.6
Accounts payable to related parties	12.1	6.5
Customer credit balances	10.9	14.1
Amounts refundable to customers	4.7	12.3
Other	16.8	11.2
Current liabilities	199.1	232.2
Long-term liabilities		
Long-term debt	485.9	485.7
Regulatory liabilities	192.9	197.8
Deferred income taxes	378.4	332.6
Environmental remediation liabilities	39.9	36.1
Other	13.6	25.0
Long-term liabilities	1,110.7	1,077.2
Commitments and contingencies		
Member's equity	806.3	783.9
Total liabilities and member's equity	\$ 2,116.1	\$ 2,093.3

WISCONSIN GAS LLC

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)	Nine Months Ended September 30	
(in millions)	2017	2016
Operating activities		
Net income	\$ 44.7	\$ 43.2
Reconciliation to cash provided by operating activities		
Depreciation and amortization	36.1	36.1
Deferred income taxes and investment tax credits, net	41.5	26.0
Contributions and payments related to pension and OPEB plans	(2.1)	(2.1)
Change in -		
Accounts receivable and unbilled revenues	77.4	56.0
Materials, supplies, and inventories	(24.7)	(1.0)
Prepaid taxes	6.0	44.8
Other current assets	(0.6)	6.2
Accounts payable	(8.4)	(5.6)
Amounts refundable to customers	(7.6)	(1.5)
Other current liabilities	2.1	(0.1)
Other, net	(12.9)	(0.1)
Net cash provided by operating activities	151.5	201.9
Investing activities		
Capital expenditures	(111.7)	(87.4)
Other, net	(1.7)	(1.2)
Net cash used in investing activities	(113.4)	(88.6)
Financing activities		
Change in short-term debt	(19.5)	(244.7)
Issuance of long-term debt	—	200.0
Payment of distributions to parent	(22.5)	(67.5)
Other, net	—	(1.9)
Net cash used in financing activities	(42.0)	(114.1)
Net change in cash and cash equivalents	(3.9)	(0.8)
Cash and cash equivalents at beginning of period	4.4	1.1
Net cash and cash equivalents at end of period	\$ 0.5	\$ 0.3
Supplemental cash flow information		
Cash (paid) for interest	\$ (11.0)	\$ (11.1)
Cash received for income taxes, net	\$ 19.6	\$ 43.1