

2017 Corporate Responsibility Report

Sustainable progress for an enduring enterprise



About this report

This report covers the year 2017 for WEC Energy Group Inc. (WEC) and its subsidiaries on a consolidated basis. The performance data is focused on the operations of Wisconsin Electric Power Co. and Wisconsin Gas LLC, doing business as We Energies, and Wisconsin Public Service Corp. in Wisconsin; Michigan Gas Utilities Corp. and Upper Michigan Energy Resources Corp. in Michigan; Minnesota Energy Resources Corp. in Minnesota; and The Peoples Gas Light and Coke Co. and North Shore Gas Co. in Illinois. It was prepared using guidance from the Global Reporting Initiative (GRI) Standards.

We are headquartered in Milwaukee, Wisconsin, conducting operations primarily in the following reportable segments: Wisconsin, Illinois, Other States, Electric Transmission, Non-Utility Infrastructure, and Corporate and Other. Report content does not include performance data from external organizations or activities over which the company has limited control or influence, such as contractors and suppliers.

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» Due to the timing of the release of this report, some content reflects 2018 information.



Our 2017 Corporate Responsibility Report

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A Message from the Chairman and Chief Executive Officer:

History tells us that companies that have stood the test of time – organizations that deliver enduring value – are built on a foundation of responsible business practices. That's certainly our experience at WEC Energy Group.

For more than a century, our companies have served our customers safely and reliably. We have established a track record of excellence by considering the potential impacts of our decisions and the needs of our key stakeholders, including our customers, communities, employees and investors.

As this report details, our progress in the past year reflects our focus on sustainable decision-making. We are reshaping our generation fleet, with significant investments in low- and no-carbon generation – to reduce emissions and costs to customers while preserving fuel diversity.

We have set aggressive goals to reduce carbon dioxide emissions by approximately 40 percent below 2005 levels by 2030 and 80 percent by 2050.

- We continue to modernize the critical infrastructure deployed by our energy companies to ensure system efficiency and reliability.
- We practice financial discipline, carefully evaluating risks and opportunities as we develop and carry out our capital investment plan. Our focus and discipline allowed us to achieve record financial results in 2017.
- We work collaboratively with local and national organizations and our industry peers to enhance public safety, build a strong workforce and foster innovation.



Millions of customers count on us to deliver energy to their homes and workplaces every day. We understand that our energy infrastructure must be designed not only to endure but to support the environment and the economy of the areas we serve.

Our management team will continue to pursue excellence in performance and corporate citizenship in the years ahead.

Sincerely,

A handwritten signature in black ink that reads "Gale Klappa". The signature is fluid and cursive, written in a professional style.

Gale E. Klappa
Chairman and Chief Executive Officer



Organizational Profile

WEC Energy Group is one of the nation's largest electric and natural gas delivery companies, with the operational expertise and financial resources to serve the Midwest's energy needs safely, reliably and responsibly.



Key facts

Total customer accounts:
4.48 million



ELECTRIC DISTRIBUTION



NATURAL GAS DISTRIBUTION



Customers:
Electric: 1,126,800
Natural gas: 1,117,700
Steam: 400



Customers:
Electric: 443,900
Natural gas: 327,800



Customers:
Natural gas: 845,900



Customers:
Natural gas: 235,300



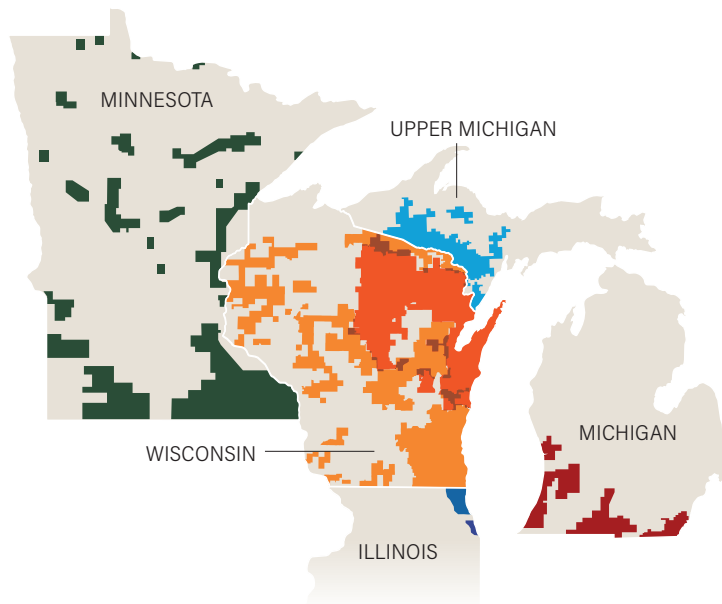
Customers:
Electric: 36,800
Natural gas: 5,300



Customers:
Natural gas: 160,100



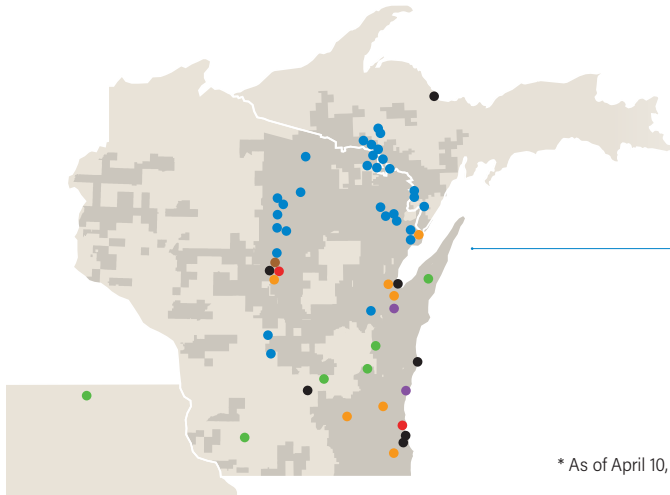
Customers:
Natural gas: 176,300



- We Energies
- Wisconsin Public Service
- Upper Michigan Energy Resources
- Minnesota Energy Resources
- Michigan Gas Utilities
- North Shore Gas
- Peoples Gas

Data as of December 2017, unless otherwise noted.

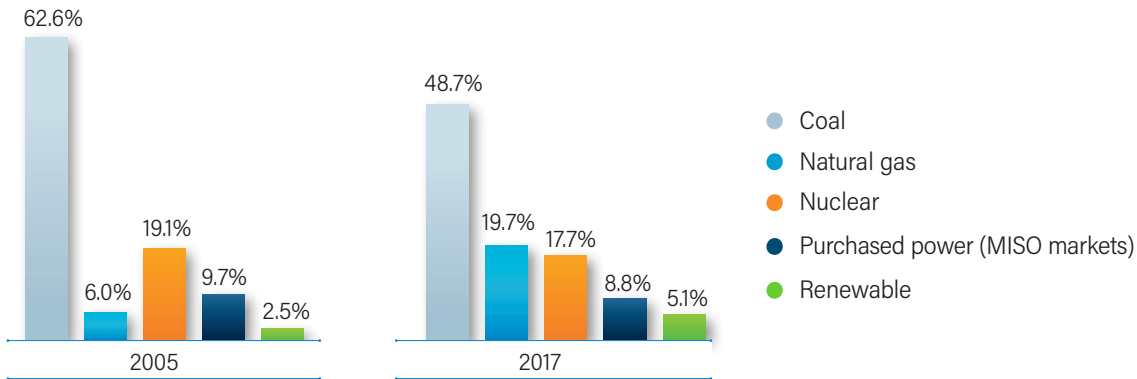
GENERATION FACILITIES



- Hydroelectric: 30
- Coal: 7*
- Combustion turbine: 7
- Combined cycle: 2
- Gas-driven steam turbine: 2
- Wind turbine stations: 6
- Biomass (fluidized bed boiler): 1

* As of April 10, 2018, following the retirement of Pleasant Prairie Power Plant.

ELECTRICITY SOURCES



Data for WEC Energy Group (We Energies, Wisconsin Public Service, Upper Michigan Energy Resources Corp. and Wisconsin River Power Co.)

DISTRIBUTION

69,590
miles of electric distribution lines

Overhead: **37,118 miles**
Underground: **32,472 miles**

478
substations

48,983
miles of natural gas mains

38 miles of high-/low-pressure steam piping

Awards and recognition

Across our companies, we are focused on the fundamentals of our business: world-class reliability, safety, operating efficiency, customer care and financial discipline. Our efforts were recognized in 2017.

Arbor Day Foundation – We Energies and Wisconsin Public Service were selected as Tree Line USA utilities. The award, sponsored by the National Arbor Day Foundation in cooperation with the National Association of State Foresters, recognizes the companies' efforts in providing dependable, reliable service, while using best-practice vegetation management techniques. The award for utilities has three requirements: a program of quality tree care, annual employee training in quality tree-care practices, and tree planting and public education programs.

Electric Power Research Institute – The organization recognized Joann Henry, market strategist – wholesale energy and fuels, for her leadership in customer efficiency efforts at We Energies. Henry received a Technology Transfer Award for her work on electrification, the application of novel, energy-efficient electric technologies as alternatives to fossil-fueled or nonenergized processes.

Forbes – The media company listed WEC Energy Group as one of America's Best Employers. This list of 500 large employers was formed through a survey of 30,000 American workers, with questions measuring the attitude of the employees toward their own company and public perception of the company by industry employees.

Minnesota Safety Council – As part of the Governor's Workplace Safety Awards program, which recognizes Minnesota employers for excellence in safety, the council presented Minnesota Energy Resources with the Outstanding Achievement Award.

National Association of Minority Contractors - Wisconsin Chapter – The association recognized the We Energies Supplier Diversity Initiative for its outreach, support, commitment and leadership in minority business development in the Wisconsin construction industry.

PA Consulting Group – We Energies won the 2017 National ReliabilityOne Excellence Award for sustained leadership, innovation and achievement in electric reliability. The company also received the Regional ReliabilityOne Award for outstanding electric reliability performance in the Midwest for the seventh consecutive year. In presenting the awards, PA Consulting Group noted We Energies' strong focus on grid modernization, restoration and grid management processes.

Wired Group – Through an independent evaluation, the consultancy ranked Wisconsin Electric among the top 10 investor-owned electric utilities for customer value. The ranking was based on four determinants: capital investment, operations and maintenance spending, reliability and customer satisfaction.

Women's Business Development Center – The organization presented Charles Matthews, president and CEO – Peoples Gas and North Shore Gas, with the Future Forward Award for the companies' participation in the Illinois Utilities Business Diversity Council and efforts to support and promote women-owned businesses.



Corporate Responsibility (CR) Magazine – The magazine named WEC Energy Group as one of the 50 best corporate citizens in the United States, and second in the Utility sector. In making this selection, CR Magazine considered the company's approaches to energy and the environment, governance, employee relations, human rights, financial performance, philanthropy and community support.

Our focus areas



Focus areas defined

WEC Energy Group conducted an internal review of issues relevant to our business that could have significant environmental, social and economic impacts. Our corporate responsibility team first compiled a list of topics identified through existing processes for sustainability reporting, risk management and stakeholder engagement. These included core organizational goals, key performance indicators, and risks identified by our senior management, Enterprise Risk Steering Committee and board of directors.

Our corporate responsibility team refined the established list of focus areas through benchmarking against energy sector peers and sustainability disclosure frameworks, including the GRI Standards and external surveys. Lastly, we talked with key executives to finalize our assessment – an organizational focus on five core business fundamentals and 14 sustainability topics that support the company's ability to deliver on these fundamentals.

Affordable energy: We remain cost conscious to offer affordable, competitive rates to our electric, natural gas and steam customers.

Asset and risk management: We plan carefully to uphold safety and efficiency goals when assessing new generation, plant retirements and infrastructure development. Our management structure monitors our major risk exposures such as environmental and regulatory compliance and cybersecurity.

Community engagement: We support the communities we serve through corporate giving and outreach focused on community and neighborhood development, education, arts and culture, the environment, and health and human services.

Customer experience and satisfaction: We work to enhance the customer experience through effective customer communications, billing options and feedback mechanisms as we focus on delivering energy to customers safely and reliably.

Diversity and inclusion: We are committed to fostering diversity and inclusion in our workforce, supply chain and governing bodies to maximize both individual and organizational effectiveness.

Emergency preparedness: We conduct comprehensive emergency response planning across the organization – including mobilization for storms and outages – to uphold public and employee safety.

Employee development and engagement: We use a multifaceted recruitment process to attract and select talented employees, and we continually provide opportunities for training and education to support our skilled workforce.

Environmental accountability: We practice responsible environmental stewardship throughout our operations in order to protect air and water quality, enhance biodiversity and manage natural resources efficiently.

Ethics and compliance: We believe in acting with honesty and integrity, keeping our commitments and earning trust. Our policy is designed to establish and maintain a high level of ethical business conduct and enforce compliance with applicable legal requirements.

Financial performance: We continue to deliver on performance targets, including earning the authorized return on equity at each of our energy companies, through our focus on operating efficiency and financial discipline.

Fuel diversity: We are strategically reshaping our electric generation portfolio to incorporate renewable energy, increase fuel diversity, reduce costs and reduce carbon emissions.

Governance: Our governance policies and management systems promote accountability to our stakeholders and contribute to efficient, effective and sustainable operations.

Procurement practices: We select suppliers and manage our supply chain to enhance safety, innovation, cost reduction, diversity and customer satisfaction.

Regulatory policy: We adhere to regulatory requirements for our industry and advocate on behalf of our stakeholders for safe, reliable and affordable energy before elected officials and government agencies.



Strategic initiatives

Our goal is to continue to build and sustain long-term value for our stockholders, customers and communities in a rapidly transforming energy arena. Throughout our strategic planning, we take into account important developments in our industry, including new technologies, customer preferences and commodity prices, energy resiliency efforts, and environmental, social and governance initiatives.

Between 2018 and 2022, we expect to invest \$11.8 billion across our companies:

- Modernizing our electric and natural gas delivery infrastructure.
- Reshaping our generation fleet for a clean, reliable future.
- Launching advanced metering functionality and upgrading systems and equipment.

More than 100,000 WPS customers have already benefited from a **95% improvement** in reliability in portions of the electric distribution system placed underground.



Reliability

In today's connected world, customers rely to a greater degree than ever before on the continuous flow of electricity and natural gas. We have made significant reliability-related investments in recent years, and plan to continue strengthening and modernizing our generation fleet and distribution networks.

System Modernization Program

Peoples Gas expects to continue investing approximately \$280 million to \$300 million annually in a program to replace approximately 2,000 miles of Chicago's aging natural gas pipeline. Dated cast- and ductile iron pipes and facilities in the natural gas delivery system are being replaced with modern polyethylene pipes for long-term system safety and reliability. The project, which began in 2011, has created more than 1,000 jobs since its inception. It is approximately 25 percent complete.

System Modernization and Reliability Project (SMRP)

Wisconsin Public Service (WPS) continues work on this multiyear project to modernize parts of its electric distribution system by burying or upgrading lines. The project focuses on electric lines that currently have the lowest reliability in the WPS system, primarily in heavily forested, rural areas. Phase I of the SMRP launched in 2014 with a projected investment of \$220 million and is approximately 90 percent complete. As part of Phase I, WPS is converting more than 1,000 miles of overhead power lines to underground and adding distribution automation equipment on 400 miles of lines.

Phase II of the SMRP was approved by the Public Service Commission of Wisconsin (PSCW) in February 2017. Phase II has added 1,000 miles of lines to be moved underground by 2021, with estimated capital expenditures of approximately \$210 million. Environmental fieldwork and related permitting activities began in the summer of 2017.

Upper Michigan Energy Resources Corp. (UMERC)

UMERC, our electric and natural gas utility in the Upper Peninsula (U.P.) of Michigan, became operational on Jan. 1, 2017, with electric and natural gas distribution assets and customers previously belonging to We Energies and WPS. The company is moving forward with its long-term generation solution for the region. The plan, approved by the Michigan Public Service Commission in October 2017, calls for UMERC to construct and operate approximately 180 megawatts (MW) of natural gas-fueled generation.

The proposed facilities in the U.P. will use electric generators, called reciprocating internal combustion engines, to allow for reliable, efficient and flexible operations. We expect the new units to begin commercial operation in 2019, allowing for the retirement of Presque Isle Power Plant no later than May 31, 2019, as required by the Midcontinent Independent System Operator.

Exceptional customer care

Our companies are focused on delivering exceptional customer care. Employees strive to provide the best value for customers by embracing constructive change, leveraging their capabilities and expertise, and using creative solutions.

Enhancing customer experience across companies

A multiyear effort is leveraging both technology and process design to enhance our customers' experience. In 2017, standardized processes and customer information, phone and dispatch systems were implemented at Peoples Gas and North Shore Gas. These systems and processes were previously implemented across WPS, Minnesota Energy Resources and Michigan Gas Utilities. We plan to incorporate We Energies and UMERC into the same platform over the next few years. Using common systems and processes reduces costs, provides greater flexibility, and enhances the consistent delivery of great service to customers.



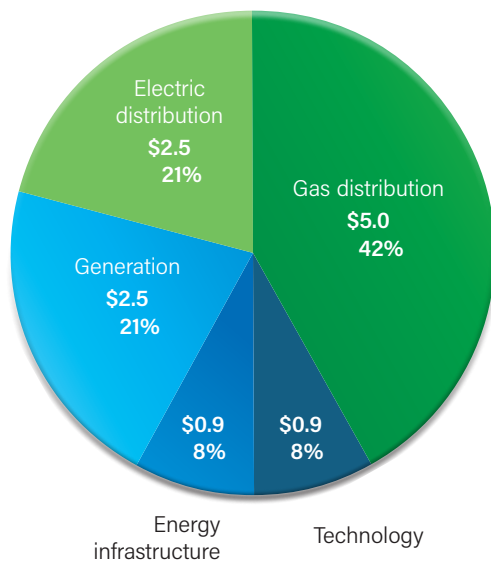
Since the June 2015 acquisition of Integrys Energy Group, we have achieved more than a **6% reduction** in operations and maintenance expenses.

Financial discipline and efficiency

A strong adherence to financial discipline is essential to meeting our earnings and dividend growth projections and maintaining a strong balance sheet, stable cash flows and quality credit ratings. In 2017, we achieved our primary financial goal of earning the allowed return on equity at each of our energy companies, and our net income and earnings per share set new high records.

We follow an asset management strategy that focuses on investing in and acquiring assets consistent with our strategic plans. Across our companies, we continually look for ways to optimize operating efficiency.

2018-2022 capital plan by category (\$ in billions)



Natural gas storage

In June 2017, we acquired Bluewater Natural Gas Holding LLC, owner of an underground natural gas storage facilities in St. Clair County, Michigan, that can provide approximately one-third of the storage needs of WEC Energy Group's natural gas distribution companies in Wisconsin. We expect the purchase to yield substantial savings to We Energies and WPS natural gas customers over time. Bluewater, with interconnections to the Chicago and Dawn, Ontario, hubs, entered into long-term service agreements with the two companies.

Capital improvements are underway at Manlove Field, our natural gas storage facility in Champaign County, Illinois. This facility is essential to the diversity of our Illinois natural gas supply. It allows Peoples Gas to purchase supplies in summer months when prices are lower, minimizing price spikes for customers during the heating season.

Advanced metering infrastructure

Across the corporation, we are making progress on our program to replace meter-reading equipment on both our network and customer property. An integrated system of smart meters, communication networks and data management programs enables two-way communication between our energy companies and their customers. This program enhances outage management capabilities and reduces the manual effort and cost for disconnection and reconnection.



Our long-term goal is to reduce carbon dioxide emissions by approximately **80 percent below 2005 levels by 2050.**

Generation reshaping

Our companies have a long-standing commitment to environmental performance. Reducing greenhouse gases (GHG) is an integral component of our strategic planning process, demonstrating effective environmental stewardship while fulfilling an obligation to provide reliable energy to customers. We continue to strategically reshape our portfolio of electric generation facilities with investments that have improved environmental performance and reduced emissions from our operating fleet.

As the regulation of GHG emissions takes shape, our plan is to work with our industry partners, environmental groups and the State of Wisconsin with a goal of reducing carbon dioxide (CO₂) emissions by approximately 40 percent below 2005 levels by 2030.

Components of this approach include actions that maintain fuel diversity, reduce customer costs and achieve long-term CO₂ reduction. Between 2004 and 2017, we eliminated more than 1,000 MW of coal-fueled generation by retiring units or converting them to natural gas-fueled generation. We plan to retire an additional 1,800 MW of coal-fueled generation between 2018 and 2020, including the approximately 1,200-MW Pleasant Prairie Power Plant retired in April 2018. We also plan to invest in more than 400 MW of natural gas-fueled generation within the next four years. We recently filed for regulatory approval to invest in our first 200 MW of solar generation and have another 150-MW solar project planned. Additional zero-carbon generation projects are being actively developed.

We have considered further emission reductions and arrived at a new long-term goal of achieving low-carbon operations by 2050, namely to reduce CO₂ emissions by 80 percent below 2005 levels. This aligns with our long-term business strategy in a way that makes economic sense and leverages technology. Taken as a whole, we expect changes to our generation fleet will reduce costs to customers, preserve fuel diversity and reduce carbon emissions.

As highlighted later in this report, we currently are engaged in research with the Electric Power Research Institute to refine our planning process for achieving our long-term GHG reduction goal. These research projects will help us assess economic and technological trends and conduct scenario analysis for our companies, evaluating potential GHG reduction trajectories in the context of the Paris Agreement's goal of limiting global temperature rise to 2 degrees Celsius.

In addition, our company has pursued a multi-emission strategy for more than a decade in response to the numerous environmental regulations facing the electric industry. As a result, we believe we are well-positioned to comply with environmental regulations.

Controlling costs for customers along with air emissions

We believe that our multi-emission reduction strategy will continue to achieve greater environmental benefit for lower cost. Voluntary environmental targets have improved the planning process for operating or replacing existing generating units and adding new units. The environmental targets are consistent with making further emission reductions and lowering costs for the future.

Since the late 1980s, the generation fleet has shown a steady reduction of sulfur dioxide, nitrous oxide, mercury and particulate emissions. As emission control technology has advanced, We Energies and WPS have been installing new equipment to meet new state and federal air quality requirements while maintaining system reliability and cost effectiveness.

We have invested approximately **\$2.5 billion** in air quality control technologies over the past 15 years.



Governance structure

We are committed to conducting business with integrity, a business value that is the foundation of all of our decisions and actions.

To fulfill that commitment, we must maintain the appropriate governance structure and management systems for anticipating, planning and managing corporate initiatives and risks. We believe that effective corporate governance is an essential driver of stockholder value and a key component of sustainability at successful companies.

Corporate Governance Guidelines

In 1996, WEC Energy Group was one of the earliest adopters of a formal set of corporate governance guidelines, a framework through which our board of directors conducts its business. The guidelines address governance matters including board composition, board independence and leadership, board and committee meetings, succession planning, performance evaluations, compensation, and board operations. We have modified the guidelines over the years in response to evolving governance practices and stockholder expectations.

The board is organized into a structure that consists of five standing committees: Audit and Oversight, Compensation, Executive, Finance and Corporate Governance. The board's Corporate Governance Committee is charged with the responsibility of annually reviewing our governance practices, a process that takes into consideration discussions with investors and feedback from our external governance advisers, as well as findings from industry surveys, benchmarking studies and governance guidelines published by institutional investors and proxy advisers. WEC Energy Group's Corporate Governance Guidelines, along with

information on the duties of our board committees and other governance practices, are posted on the [Governance page](#) of our corporate website.

Board of directors

Our board of directors is the governing body responsible for providing oversight with respect to our major strategic initiatives, which requires meaningful dialogue centered on opportunities and risks, key financial and business objectives, corporate governance and key corporate policies, and overall economic, environmental and social performance. The board meets regularly throughout the year to discuss these matters, and routinely hears from committees on reports prepared by management and outside advisers that equip board members with the information they need to monitor progress and carry out their oversight responsibilities.

The Corporate Governance Committee leads the board through its annual succession planning process to determine appropriate membership and size of the board in advance of its annual election of directors. The Corporate Governance Committee evaluates director candidates in the context of the board as a whole, with the goal of recommending nominees with diverse backgrounds, experiences and competencies that, together, can best perpetuate the success of our business and represent stockholder interests. More information about the board's criteria and processes for evaluating director nominees, including core competencies, can be found beginning on Page P-14 of our [2018 proxy statement](#).

Our Corporate Governance Guidelines provide that the board of directors should consist of at least a two-thirds majority of independent directors. Based upon our independence standards, the board affirmatively determined that, as of year-end 2017, 11 of its 13 directors were independent, having no material relationships with the company.

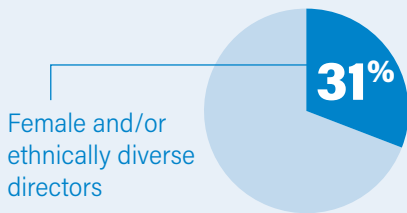
Board composition

Through its board succession planning process, the board seeks to maintain its independence and diversity of knowledge, skills, experiences, thought, gender, ethnicity, tenure and maturity. During 2017, the 13-member board reflected the following:

INDEPENDENCE

11 Directors were
of 13 **independent**

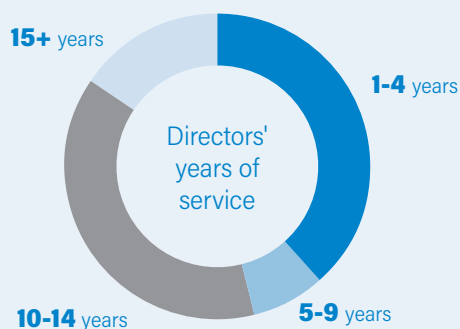
GENDER AND ETHNICITY



3 Directors were **women**

2 Directors were **African-American**

BALANCED TENURE



REFRESHMENT

6 new directors elected in the **past five years**



Allen Leverett served as president, chief executive officer and a director of the company until he experienced a stroke in October 2017. The board determined that combining the roles of board chairman and CEO under Gale Klappa, who was serving as non-executive chairman of the board and who had served as the company's CEO and chairman from 2004 to 2016, is the best governance structure for the company and its stockholders at this time.

Board and committee evaluations

As a standard practice, the board's Corporate Governance Committee leads an annual assessment of the board's effectiveness and uses the results of the board's self-evaluation to foster continuous improvement of the board's activities. Each committee, except the Executive Committee, annually reviews its effectiveness and activities against its charter to identify its strengths and areas where its governance practices can be improved. Results are reported to the board.

In 2017, the board enhanced its evaluation process by adopting a framework of questions developed by the National Association of Corporate Directors, whereby the presiding director and/or board chairman seeks input from each board member individually during one-on-one discussion sessions around five broad categories: (1) board composition and leadership, (2) board committees, (3) board meetings, (4) overall effectiveness of the board, and (5) overall effectiveness of the board with regard to management.

Stockholder engagement

Accountability to stockholders is critical to our long-term success. We have a robust and comprehensive outreach and engagement program in place which is described more fully beginning on Page P-69 of our [2018 proxy statement](#), to ensure that management and the board are aware of, understand and consider issues that matter most to our stockholders. This ongoing engagement provides valuable insight into how our stockholders view our business, and helps us identify emerging issues that may affect our strategy and corporate governance practices. While the company already provided stockholders with the opportunity to submit nominations for director candidates and stockholder proposals, the board further strengthened its commitment to stockholder input when it adopted its proxy access bylaw in 2016.

During 2017, we engaged proactively with 30 stockholders, representing approximately 45 percent of the company's outstanding common stock, about our governance, environmental and compensation practices. At our 2018 annual meeting of stockholders, the company's stockholders approved the compensation paid to our named executive officers in 2017 with 94 percent of the votes cast.

More information for investors, including presentation materials, can be found at www.wecenergygroup.com/invest/investor.htm.

Risk management

To address the evolving threat landscape of our industry, we have comprehensive processes in place to assess, oversee and mitigate risks.

The board oversees our risk environment and has delegated specific risk-monitoring responsibilities to the Audit and Oversight Committee and the Finance Committee, as described in each committee's charter. Both of these committees routinely report back to the board. The board and its committees receive regular briefings from management on specific areas of risk, as well as emerging risks to the enterprise.

The Audit and Oversight Committee regularly hears reports from management on our major risk exposures in such areas as regulatory compliance, environmental, legal/litigation, technology security (cybersecurity) and ethical conduct, as well as steps taken to monitor and control such exposures. The Finance Committee reviews our financial risk assessment and risk management policies, and provides oversight of insurance matters to support the proper function of our risk management program. Both committees have direct access to, and meet as needed with, company representatives without other management present to discuss matters related to risk management.

Our CEO, who ultimately is responsible for managing risk, regularly reports to the board on risk-related matters. As part of this process, the business unit leaders identify existing, new or emerging issues or changes within their business areas that could have enterprise implications and report them to senior management. Management is tasked with ensuring that these risks and opportunities are appropriately addressed. For an example of our efforts in one area, see the sidebar titled "Cybersecurity efforts."

In addition, we have established an Enterprise Risk Steering Committee, composed of senior-level executives, whose purpose is to foster an enterprisewide approach to identifying and managing risk. The committee regularly reviews our key risk areas and provides input to the development and implementation of effective compliance and risk management practices, including external audits. The Audit Services department conducts a semiannual enterprise risk assessment and discusses its findings with the Enterprise Risk Steering Committee. The results of these risk management efforts are reported to the CEO and to the board and/or its appropriate committee.



Cybersecurity efforts

The energy industry requires the use of sophisticated information technology systems and network infrastructure, and we understand the importance of securing these systems against intrusion and attack.

Our cybersecurity governance model includes oversight by senior management from our Enterprise Risk Steering Committee. Using recognized maturity models from the Control Objectives for Information and Related Technologies (COBIT) framework and the Department of Energy, we continuously assess our overall cybersecurity program maturity and incorporate improvements as needed.

We strive to follow industry best practices for computer network protection and provide effective physical security for our critical cyber assets. Following a 2016 audit of our compliance with North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection standards, the external auditors positively noted our demonstrated "culture of compliance," with no significant findings.

We participate in NERC-sponsored GridEx events as well as information sharing and vulnerability analysis with federal, state and industry organizations. To better comprehend the scope and magnitude of any active threats to our industry, we communicate with other energy companies concerning cyber incidents.

All employees and contractors are required to complete training annually regarding information security and acceptable use of corporate electronic resources. Role-based cybersecurity training also is required annually. Our cybersecurity awareness program delivers key and topical cybersecurity messages throughout the year via posters, flyers and intranet announcements.

Ethics and compliance

Employees have a responsibility to preserve the ethical standards of our company as it conducts business affairs.

We have policies in place, such as the Code of Business Conduct, that address situations that could lead to corruption, bribery, or other improper or illegal behavior on the part of employees. In many cases, the policies referred to in the code go beyond legal requirements.

All new employees receive Code of Business Conduct and other core compliance training to be completed within 30 days of hire. To maintain a high level of awareness, all employees are required to annually confirm their personal commitment to compliance. We have a 100 percent completion rate for compliance training and affirmation.

In 2017, all employees were invited to participate in a business climate survey gauging employee perceptions of the company's actions, processes and operating style. The results provided management with the ability to assess our ethical climate.

Program elements

The ethics and compliance program is designed to help our employees sustain an ethical workplace and help the company comply with applicable legal requirements and good corporate governance. Key responsibilities of the ethics and compliance program include:

- Administer the Code of Business Conduct and related policies and procedures.
- Manage a confidential reporting system, in which employees may choose to remain anonymous, to receive and respond to allegations of violations of the Code of Business Conduct.
- Allocate resources to align with the corporate risk profile.
- Provide guidance and advice to employees on policy questions and ethics and compliance matters.
- Protect employees who make good-faith allegations of misconduct with strong nonretaliation provisions.
- Provide regular education on ethics and business conduct standards.
- Provide regular reports to the Audit and Oversight Committee of the board of directors.
- Conduct periodic assessments of the effectiveness of the ethics and compliance program.

Elements of the ethics and compliance program are aligned with the criteria articulated in the Federal Sentencing Guidelines to demonstrate an effective program. Annual review of program effectiveness is reported to the Audit and Oversight Committee of the board of directors.

Code of Business Conduct

All employees and members of the company's board of directors are expected to comply with our Code of Business Conduct in addition to laws and regulations. The code was benchmarked and rewritten in 2017 and addresses key aspects of our ethical culture and work environment, including:

- Focus on safety
- Anti-harassment and nondiscrimination
- Diversity and inclusion
- Accountability for conflicts of interest, confidentiality and fair dealing
- Proper use of company assets
- Protection of information

Risk assessments

Audit Services completes a periodic fraud risk assessment designed to assess risks of fraud from financial reporting, misappropriation of assets or corruption. Legal and regulatory compliance requirements, the potential monetary impact, and overall significance to our financial reporting, operations and reputation are considered when assessing risk. In its most recent assessment, Audit Services determined a low residual risk value after considering the existing key anti-fraud controls and activities. Results of the risk assessment are reported to the Audit and Oversight Committee of the board of directors.

Communication and training

Continual employee development and awareness of potential ethical dilemmas remain a priority. Employees complete learning events throughout the year specific to their roles and responsibilities, such as workplace harassment prevention for all leaders and corporate securities trading rules for identified personnel. Materials are available on the company intranet to help leaders guide discussions with their staff about ethics and compliance matters. In addition, materials on specific topics, such as conflicts of interest, are communicated to leaders through various channels.

Our people

The bedrock of the company, our employees work tirelessly to achieve optimal results with a customer focus. We value their contributions and develop their talent in support of a strong, skilled workforce.

Diversity and inclusion

Our commitment to diversity and inclusion is more than following policies and procedures. It is an integral part of our company's culture. We value diversity as an opportunity to strengthen our company's success. We are committed to maximizing both individual contributions and organizational effectiveness through the diversity of our workforce.

For these purposes, we:

- Support a highly qualified and diverse organization in all areas and at all levels.
- Actively seek out and encourage diverse ideas, perspectives and points of view.
- Establish an environment of inclusion that respects and embraces diversity.

These commitments reflect our strong determination to become a high-performance, pluralistic organization that will achieve a sustained competitive advantage in the global energy marketplace while providing safe, reliable service and the best customer care.

We encourage diverse workforce development by fostering inclusion and equal opportunity. Diversity and inclusion are values and strengths that drive success and help us realize our full potential and business goals. A number of initiatives promote diverse workforce contributions,

educate employees about diversity issues and make our companies attractive employers for persons of diverse backgrounds. These include company-provided support for a variety of development programs, such as Mount Mary University Women's Leadership Institute, African American Leadership Program and Rising Latino.

We support and promote business resource groups, such as the African-American Business Resource Group, Listo!+, Women's Development Network, Next Generation Network and Military Service Members Association, which foster an atmosphere of inclusion and engage employees in using their talents and interests in a manner that spurs innovation and supports the company's strategic goals. These groups strengthen alignment throughout the company and, at times, our outside communities. They provide opportunities for networking, career development and leadership development, as well as diverse insights into business solutions. In addition, each group is used as a talent referral source for external candidates.

WEC Energy Group is also an active member of the Wisconsin Energy Workforce Consortium (WEWC), a nonprofit association of electric, natural gas and nuclear utilities and their associations. WEWC teams with secondary and post-secondary educational institutions and the workforce system to create workable solutions to address the need for a qualified, diverse workforce. Our involvement includes participation on the career awareness and diversity taskforce subcommittees.

Other efforts include executive and informal mentoring programs and inclusion training, such as training for leaders on unconscious bias and building inclusive teams. In 2017, we participated in McKinsey and LeanIn.Org's Women in the Workplace survey, which encourages female leadership and gender equality in the workplace.

WEC Energy Group Workforce (Dec. 31, 2017)

Company	Number of employees	Female	Minority	Represented
Michigan Gas Utilities	159	18%	5%	67%
Minnesota Energy Resources	224	13%	5%	20%
North Shore Gas	163	11%	29%	73%
Peoples Gas	1,510	17%	58%	68%
We Energies	3,365	24%	15%	77%
Wisconsin Public Service	1,224	14%	2%	72%
Wisconsin River Power Company	6	0%	0%	100%
WEC Business Services	1,484	50%	23%	0%
Total	8,135	25%	23%	59%



Labor practices

Our companies have a local union presence that spans Wisconsin, Illinois, Minnesota and Michigan. We maintain good working relationships and strive to collaborate with all unions represented. We hold regular labor and management meetings, as well as regular meetings of executive leadership and union leaders, to discuss and resolve business issues. Our companies also have relationships with various trade union organizations.

Represented employees (Dec. 31, 2017)

Local union (AFL-CIO)	Expiration date of current labor agreement
No. 417, Utility Workers Union of America	Feb. 15, 2019
No. 2285, International Brotherhood of Electrical Workers	June 30, 2019
No. 12295, United Steelworkers of America	Jan. 15, 2020
No. 31, International Brotherhood of Electrical Workers	May 31, 2020
No. 2150, International Brotherhood of Electrical Workers	Aug. 15, 2020
No. 510, International Brotherhood of Electrical Workers	Oct. 31, 2020
No. 1147, International Brotherhood of Electrical Workers	April 7, 2021
No. 420, International Union of Operating Engineers	April 16, 2021 and Sept. 30, 2021
No. 18007(c), Utility Workers Union of America	July 31, 2021
No. 2006, Unit 1, United Steel Workers	Oct. 31, 2021
No. 18007, Utility Workers Union of America	April 30, 2023



Represented employees account for **59%** of the workforce.

Human rights

We support the principles of human rights as outlined in the Universal Declaration of Human Rights. We are committed to maintaining a culture that supports human rights, and we demonstrate our commitment through various means, such as employee training and education. We educate all new employees on our Code of Business Conduct policies, which cover relevant aspects of human rights issues. All employees are trained on ethical standards, including anti-harassment and diversity.

Nondiscrimination

We are committed to providing a work environment that respects the dignity of each employee. Discrimination is not tolerated, and complaints are taken seriously and investigated thoroughly. We are committed to the protection of rights of all individuals, including minority groups and women.

Federal and state laws

We are subject to federal and state labor laws, which addresses:

- Freedom of association and collective bargaining
- Child labor
- Forced and compulsory labor

None of our operations is in a position that would interfere with employees' freedom of association and collective bargaining, child labor laws, forced and compulsory labor laws, or the rights of indigenous people.

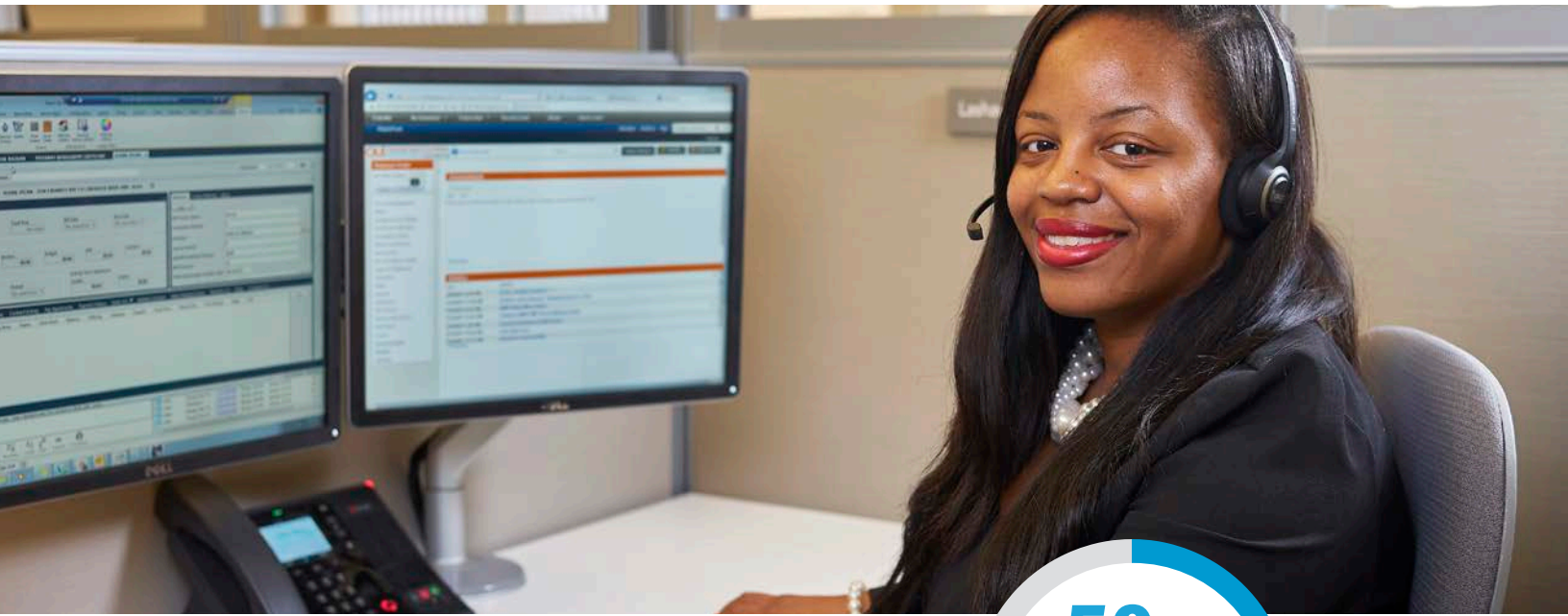
We ensure compliance with federal and state laws by continuous monitoring and auditing of our internal processes, such as hiring and promotion practices. Additionally, we actively encourage all employees to speak up if they believe our Code of Business Conduct or labor laws have been violated. All such reports are taken seriously and investigated. We expect the same standards from our suppliers and all other entities with which we conduct business.

Our board of directors has oversight responsibility for human rights-related policies, including the Code of Business Conduct, while our senior vice president of human resources and organizational effectiveness and other senior management are responsible for the development and implementation of these policies.

Benefits and compensation

We publicly report compensation information as required by law. We comply with federal and state laws and maintain compensation equity for salary between men and women. Our compensation package offers a variety of benefits to both full- and part-time employees. Full-time benefits include:

- Medical insurance
- Matching gifts program
- Dental insurance
- Prescription drug coverage
- Payable absence plan
- Life insurance
- Long-term disability
- Mental health counseling
- Employee Assistance Program
- Tuition reimbursement
- Pension plan
- Commuter benefits
- Wellness incentives
- Vacation/PTO days
- Sick leave/short-term disability
- Employee retirement savings plan – 401(k)
- Vision insurance
- Service awards
- Adoption assistance
- Accidental death and dismemberment insurance
- Business travel accident insurance
- Health savings account
- Flexible spending accounts



Talent development

Strategic talent development is a business driver for our companies. We focus on growing a superior organization by attracting, selecting, onboarding and developing the right talent to meet business needs.

We use behavioral-based interviewing to identify top talent, and our recruitment strategy is multifaceted. We have built strong relationships with high schools, colleges and universities in the areas our companies serve, and we invest in programs such as City Colleges of Chicago Gas Utility Workers Training Program, Wisconsin Regional Training Program and Cristo Rey Work Study Program. Each year, our companies employ students in internships and cooperative education programs. Our companies have been recognized by local universities for successfully placing students in meaningful assignments leading to full-time jobs after graduation.

Our companies have strong ties with community organizations and local government workforce development programs to help find diverse talent. For example, the Earn & Learn program is a City of Milwaukee initiative aimed at connecting city youth with local employers to develop work-readiness skills while earning wages through temporary work and internships. Developing a strong community workforce is important, and We Energies has participated in the Earn & Learn program for the past five years. Our companies also partner with military organizations and veteran groups to attract people with technical and leadership skills.

As a strategy for developing the external labor pool, our companies contribute to nonprofit organizations that support recruiting needs for a diverse, promotable workforce. Our companies also support many accredited educational institutions within our service areas. In addition to charitable donations, employees are active in community events that promote careers in energy to diverse populations, including school-based mentor programs, along with a variety of outreach efforts and career fairs.

Our leaders have the responsibility to continually develop the talent of their organizations through the broadening and deepening of business and leadership knowledge, thus ensuring future business success. Over the next five years, more than 42 percent of the employees at WEC Energy Group companies will be eligible to retire. Succession planning and internal talent development are integral components of our workforce planning process.

As part of a proactive approach to ensure continuity of service delivery, individual development plans are completed on an annual basis by employees to identify their short- and long-term career interests. Development is structured to meet the needs of the individual's career interests and our companies' business objectives.

Our board of directors reviews executive leadership succession plans annually to ensure leadership continuity. Senior management conducts an annual talent review to ensure that talent is being developed for future senior leadership roles. The senior talent review process also identifies early career talent to assess future leadership potential and consider development plans that may include short-term rotational assignments, mentoring or other opportunities for developing leadership skills. Succession planning is conducted annually in the business units to ensure the development of talent pools for critical operational roles for which external talent may be difficult to find.

Performance management

Employees are expected to hold each other accountable for demonstrating the top five competencies directly linked with business success:

- Safety
- Customer focus
- Sense of urgency
- Personal responsibility for results
- Financial discipline

This clear expectation affects the entire performance management process. It requires a determined effort on the part of employees to apply the right energy and focus to achieve their objectives, and calls upon leaders to provide support and guidance aimed at encouraging the behaviors critical to company success.

Performance management is the process of aligning employee performance with the needs of the business. It includes goal setting, performance monitoring, measuring and appraising, and providing feedback and recognition. Every year, our companies publish "Top 10" goals aligned with the core competencies to guide employees in their work. Employee development through performance reviews and individual development plans takes place on a regular basis.

Training and education

Talent management is a primary focus for our companies, and employee training and development of both technical and leadership skills give us a sustainable competitive edge for the future. Training, mentoring and coaching are key elements in improving employee performance and, therefore, improving customer service, safety, corporate performance and system reliability.

In 2017, more than 185,000 classroom and e-learning training events took place throughout our companies. More than half of those learning events were delivered online, including annual ethics training, safety refreshers, operator qualification training and other job skill training. Leadership development also was augmented with online training. Employees had access to online training, ranging from learning software programs to business and leadership competencies, as well as access to portals that include topical references, online books, job aids and simulations.

The remainder of the learning events took place in a classroom environment. In addition to technical, safety and on-the-job training for apprenticeships and skilled trades, a variety of soft-skills programs were available to employees. These offerings included courses to improve communication and presentation skills. Assessment tools for individual contributors and leaders also were used for a variety of development needs – in both classroom and individual consulting scenarios. In all instances, employees were provided expert guidance in using their assessment results and tying them to their individual development plans.



We conducted a confidential employee engagement survey in 2018, gauging employees' perceptions of their work, their leadership and the company as a whole. Based on the results, action plans will be created and implemented to make improvements where needed.

Leadership development

Development of leadership skills remains a top priority. The corporate leadership development program begins at the supervisor level with a Foundations of Leadership program for new supervisors. The curriculum includes training on leadership, employee engagement, talent management, diversity and inclusion, labor relations, crucial communication skills, and other important business and management skills for supervisors/leaders.

Developing leaders at the manager level constitutes the second tier of leadership development, and this is accomplished in partnership with the Sheldon B. Lubar School of Business at the University of Wisconsin-Milwaukee. Leaders are offered an intensive, six-day curriculum with training on accountability, developing and implementing strategy, improving financial performance, team effectiveness, decision-making, negotiation, leading change and more. Participants begin and end this program with a focus on the feedback they have received from a customized 360-degree feedback survey.

The third tier of leadership development is offered annually, also through the Sheldon B. Lubar School of Business at the University of Wisconsin-Milwaukee, to the directors and senior leaders of the company, consisting of executive education tailored to align with specific leadership requirements.

Internal safety practices

Our safety strategy includes use of integrated scorecards, quality control principles, employee engagement techniques and best practice programs. All employees are expected to work safely and foster a safe workplace.

Safety commitment

We are committed to keeping employees and the public safe. Over the last decade, our companies have improved their safety records by reducing exposures through the implementation and improvement of key programs. These efforts, in turn, have helped reduce the total number of Occupational Safety and Health Administration (OSHA)-recordable incidents and the total number of lost-time incidents by 52 and 44 percent, respectively. Because we understand the negative effects that injuries have on employees, their families and friends, and their co-workers, the goal is to have one of the best safety records in the nation.

Some parts of our company experienced setbacks in injury reduction in 2017. We are working continuously to promote improvement across all companies in 2018 and beyond, and to ensure that our safety efforts are sustainable. The unwillingness to accept that injuries have to occur is an important part of our cultural platform, an ongoing safety commitment that we refer to as "Target Zero."

Our companies' leadership and union leadership work together to reinforce the "Target Zero" culture and provide a safe work environment. Each employee is urged to make a personal safety commitment. The purpose is to encourage employees to talk with each other about safety

on a regular basis. Supervisors and managers are responsible for hearing employee concerns, training to current standards and recognizing those who demonstrate concern for safety. We further encourage all of our employees to bring that personal commitment to their families at home, their friends and the communities in which they live.

Company safety structure

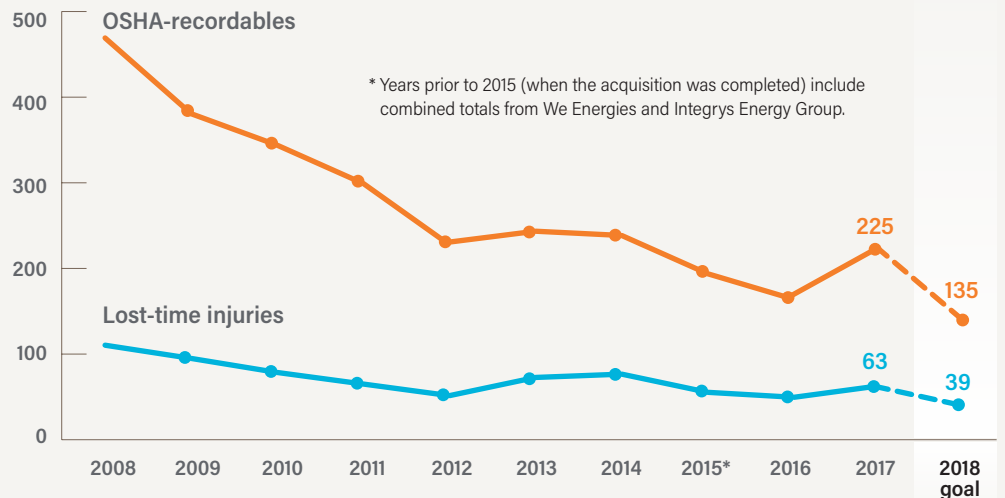
Employee safety success can be attributed to increasing employee engagement and accountability at all levels. Through Safety Action teams and Regional Safety teams, every employee has a voice. More employees are becoming actively engaged in safety, leading to new ideas and improvements in system designs, programs, tools and procedures.

Our Executive Safety Committee directs our safety and health strategy and works to ensure consistency across work groups. The committee provides a forum to review and discuss accidents and injuries, implement injury-prevention activities, develop new programs, and enhance ongoing safety and health initiatives. Management uses weekly safety conference calls to focus on safety for occupations that are exposed to a large number of hazards. During calls, management discusses injuries, accidents and significant events that have taken place and ways to prevent recurrences. We are increasingly focused on incident potential.

Management and represented employees work together to identify risks and prevent injuries. To maintain a positive safety culture, management employees are expected to provide daily information and communication about safety topics. In addition, they are responsible for implementing and evaluating safety programs and outcomes. Employees who work in the field and power plants use a variety of tools to identify and manage risks on the jobsite, follow rules and procedures, and speak up and report on safety issues.

INJURY TREND

The companies have monitored OSHA-recordable and lost-time injuries for decades and began monitoring safety leading indicators in 2009. Our safety record indicates employee commitment to working safely, and we continue to work to do even better.





Work group-specific safety events are held throughout our companies. For example, many employees in highly hazardous occupations participate in safety conferences or periodic meetings with management to discuss safety goals, techniques, tools and equipment.

Safety goals

In addition to measuring OSHA-recordable and lost-time injuries, we set goals around measurable safety leading indicators, which raise awareness about employee safety and guide injury-prevention activities.

Safety leading-indicator goals include:

- **Near miss / unsafe condition (NMUC) program metrics** – Our companies are focused on increased reporting of near-miss events and unsafe conditions. Action items are responded to, and results communicated to employees.
- **Observation programs** – Our companies incorporate observation programs to identify and address at-risk behaviors while also reinforcing positive behaviors. Most utilities have some form of peer-to-peer observation program that helps enhance our safety culture.
- **Employee health** – Since health impacts safety, we encourage employees to complete a biometric health screening and to increase physical activity, where appropriate. We also have increased our communications to employees and their families on the behavioral health benefits available to them.

Each department monitors shared leading-indicator goals. Some work groups track additional leading indicators, such as proactive audits, drills and inspections, to address specific concerns and areas of opportunity. A safety performance scorecard allows employees to monitor progress toward safety goals.

In addition to leading indicators, our companies are increasingly focused on management of risk exposures. Hazard recognition and control are part of that scope, and we have established control measures to verify the quality of daily pre-job briefings and discussions. Some parts of the organization also audit high-risk tasks to ensure compliance with procedures and to engage workers in improvement opportunities.

We evaluate all incident types (injuries, property damage, fleet asset damages, and near misses and unsafe conditions) for their potential for injury severity, in addition to the actual consequences. This risk evaluation allows us to assign more resources to those incidents that offer high-value opportunities for risk reduction and improvement.

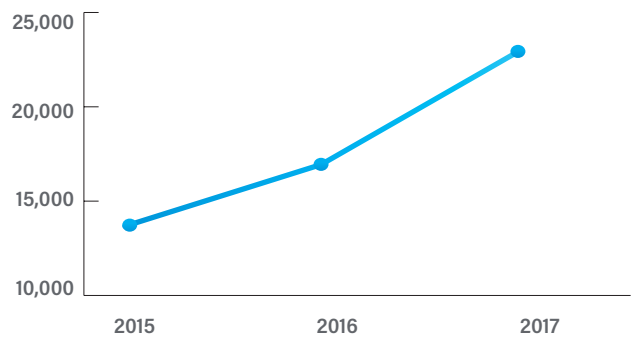
Near miss / unsafe condition reporting

Identifying near-miss events and unsafe conditions can help reduce risk and prevent injury. Reporting these incidents is an essential first step. The NMUC reporting program used throughout WEC Energy Group encourages all employees to own accident prevention and allows situations to be publicized to a wide audience, providing an educational benefit to all. All employees are encouraged to report unsafe conditions or incidents that could have led to injury, including NMUCs that have occurred at home or in their communities.

For work-related incidents, a variety of stakeholders may analyze the reports and assign and/or escalate issues for resolution.

Our employees have improved reporting of NMUCs over the last three years. Only a small fraction (estimated at 0.1 percent) of the total incidents reported in 2017 were work-related NMUCs of a higher risk potential. We will continue to foster a strong reporting and action-oriented culture in the workplace.

Near miss count



Contractor safety expectations

WEC Energy Group companies provide contractors with safety program expectations to help ensure that all work performed on company property and at company facilities is completed safely and without unnecessary risks and hazards. Contractors are selected, in part, by their OSHA incident rates and experience modification rates. Prospective contractors may be required to provide a detailed explanation of their employee health and safety obligations, programs and safety record. In many instances, each prospective contractor's safety performance is reviewed prior to awarding contracts.

Ergonomic enhancements

The most common injuries across the company continue to be strains and sprains. Companywide, safety teams analyze tools, equipment and job techniques based on ergonomics to prevent such injuries. Outputs include handbooks on implementing tools and videos to demonstrate proper tool use. Stretching and strengthening programs also are used for employees.

If employees are injured with a sprain or strain, or something more serious, the company has an advocacy program in which medical nurses work with the employees to get the best-quality medical care possible. The nurses will continually assist the employees until they return to their normal job functions or until they have reached maximum medical improvement.

Employee health and wellness

Our companies provide various benefits and resources designed to promote healthy living, both at work and at home. The companies offer competitive benefit plans designed to help employees actively manage their health.

Employees are encouraged to receive preventive examinations and proactively care for their health. Condition-management support and health coaching for lifestyle issues are available to employees who participate in the medical plan. Free on-site health screenings in many locations and/or incentives encourage employees to know their blood pressure, cholesterol, blood glucose and body mass index. Employees also are encouraged to complete a health risk assessment and work with their medical providers to further understand their health status.

Our companies also work to provide employees a safe, drug-free environment. Employees are part of a drug and alcohol testing program to maintain that environment. If an employee has an addiction, he or she is offered the opportunity to self-identify, and we will work with the employee to seek assistance. For substance use and behavioral health support, we encourage use of the Employee Assistance Program (EAP), a free benefit for all employees and their families, administered by an external counseling agency. EAP is a confidential way to get professional assessments, referrals, short-term counseling and treatment monitoring related to behavioral health concerns.

Our companies also offer wellness programs for employees and their families. By engaging employees in health education activities and promoting healthy lifestyle habits at work and home, the wellness programs promote a proactive approach to health care decisions. The wellness programs facilitate health screenings, host health challenges for individuals and teams, and provide other resources to encourage employees to take care of their health.

We continue to benefit from the association of health engagement with improved safety performance.



Safety Charity Challenge

To further foster a positive safety culture, WEC Energy Group holds the Safety Charity Challenge, a quarterly incentive in which employees whose business unit meets its safety improvement goals may vote on where our foundations make donations to identified nonprofit organizations in our service areas. The purpose of the program is to rally employees around workplace safety and create a positive impact in the communities in which they live and work.

In 2017, WEC Energy Group subsidiaries and their foundations contributed a total of **\$35,000** to local charities through the Safety Charity Challenge.



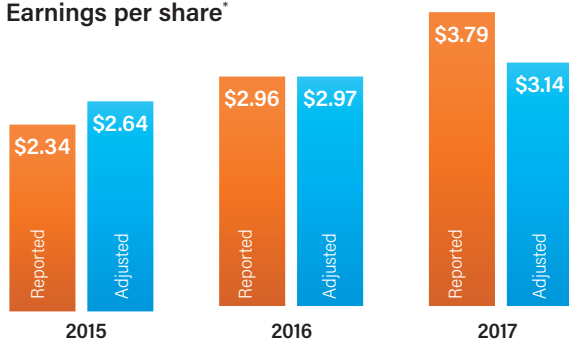
Financial Performance

At WEC Energy Group, our financial discipline and efficiency improvements benefit our operations, customers and stockholders.

Financial highlights

We continued to deliver solid earnings growth and generate strong cash flow in 2017.

Earnings per share*

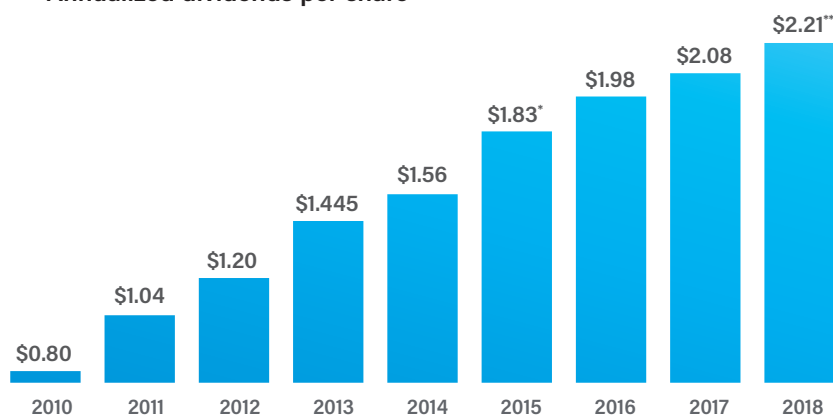


Earnings per share GAAP reconciliation

	2015	2016	2017
WEC Energy Group GAAP EPS	\$2.34	\$2.96	\$3.79
Tax benefit related to Tax Cuts and Jobs Act of 2017	-	-	(0.65)
Acquisition costs (post-tax)	\$0.30	\$0.01	-
WEC Energy Group adjusted EPS	\$2.64	\$2.97	\$3.14

* Adjusted earnings per share exclude costs related to the acquisition of Integrys totaling 30 cents per share and 1 cent per share in 2015 and 2016, respectively. Adjusted 2017 earnings per share exclude a one-time, non-cash gain of 65 cents per share related to the new tax law.

Annualized dividends per share



* Annualized based on fourth-quarter 2015 dividend of \$0.4575

** Annualized based on first-quarter 2018 dividend of \$0.5525

Achieved fully diluted adjusted earnings per share of

\$3.14*

* See table (left) for a full GAAP reconciliation.

Net income and earnings per share for 2017 were the highest in company history.

Returned more than **\$656 million**

to WEC Energy Group stockholders during 2017 through dividends.

Earned the allowed rate of return at each of our regulated utility subsidiaries.

Dividends increased in January 2018 by 6.25% to an annual rate of \$2.21 per share, marking the 15th consecutive year of higher dividends.

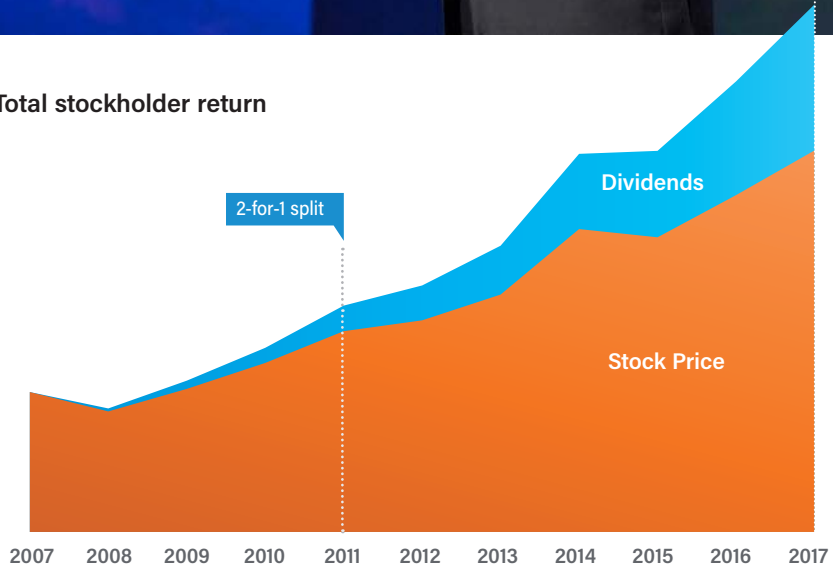


A \$100 investment has grown to a total value of **\$377**

Track record of exceptional performance

Over the past decade, WEC Energy Group has consistently delivered among the best total returns* in the industry.

Total stockholder return



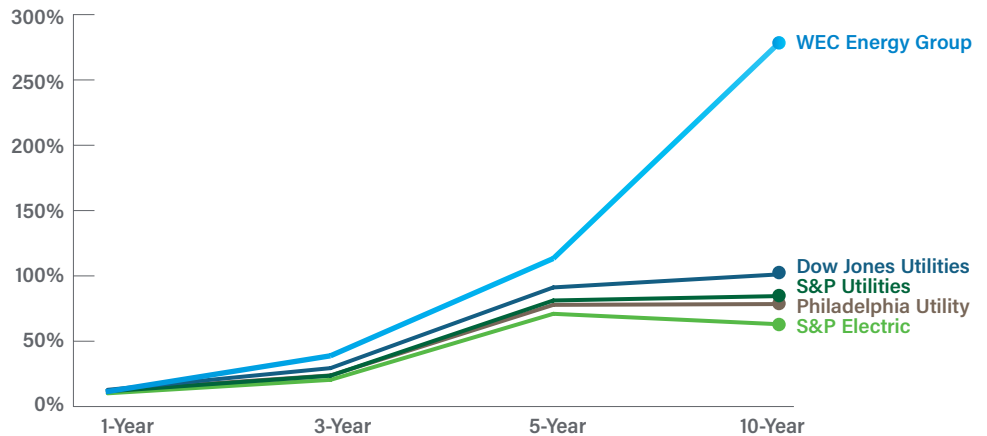
* Stock price plus the compounded effect of dividend growth over the past decade.

Common stock traded at an all-time high of

\$70.09

on Nov. 15, 2017.

Long-term stockholder returns

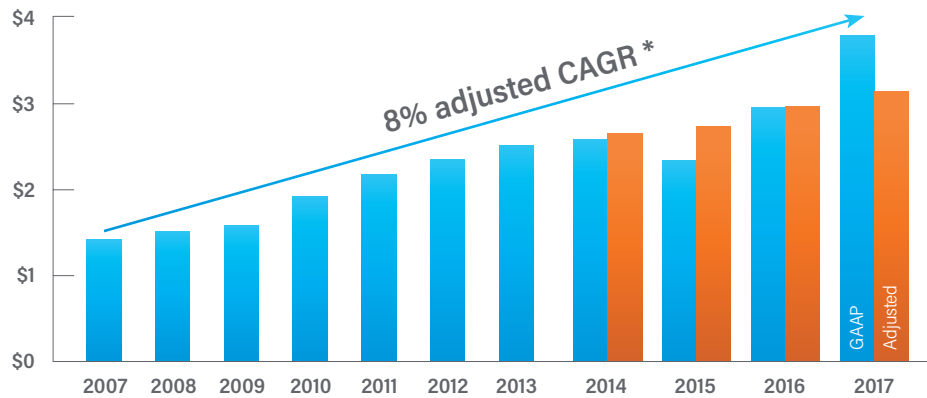




A decade of EPS growth

We've delivered an average adjusted return of 8% per year*.

Investment opportunities support long-term EPS growth of 5-7%.

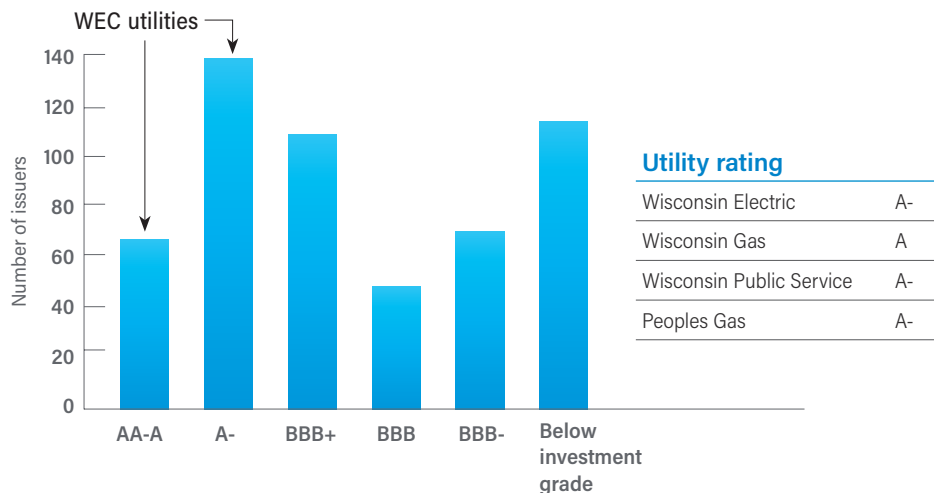


*10% compound annual growth rate based off GAAP EPS that include a one-time, non-cash gain related to the Tax Cut and Jobs Act of 2017.

Strong financial condition

No need to issue additional equity.

Electric and natural gas utilities credit ratings distribution*



*Source: Standard & Poor's Financial Services LLC (Jan. 31, 2018)

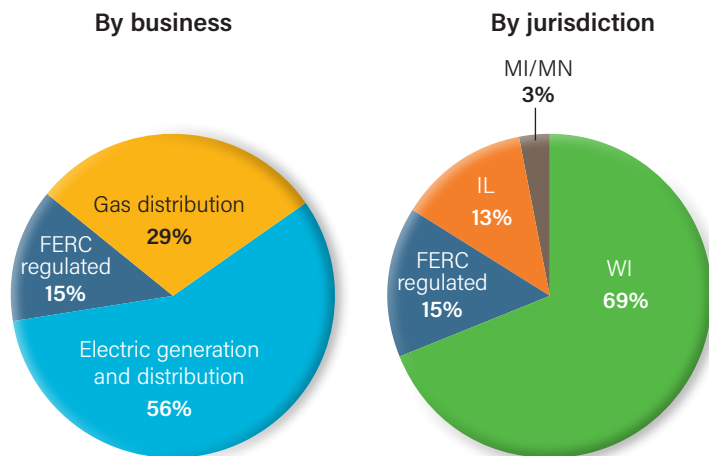
Business and operations

WEC Energy Group is a Fortune 500 company and a component of the S&P 500. Our company has approximately 50,000 stockholders of record, 8,000 employees, and more than \$31 billion of assets.

WEC Energy Group is based in Milwaukee and is one of the nation's premier energy companies, serving 4.48 million customers in Wisconsin, Illinois, Michigan and Minnesota.

The company's principal utilities are We Energies, Wisconsin Public Service, Peoples Gas, North Shore Gas, Michigan Gas Utilities, Minnesota Energy Resources and Upper Michigan Energy Resources. The company's other major subsidiary, We Power, designs, builds and owns electric generating plants.

Diverse portfolio of regulated businesses



Based on 2017 average rate base

Wisconsin operations

Our Wisconsin segment primarily consists of the electric and natural gas utility operations of We Energies, Wisconsin Public Service Corp. (WPS) and Upper Michigan Energy Resources Corp. (UMERC). UMERC became operational effective Jan. 1, 2017, and includes all of We Energies' and WPS' electric and natural gas distribution assets and customers located in the Upper Peninsula of Michigan, with the exception of Tilden Mining Co., which will continue to be a customer of We Energies until UMERC's generation solution in the Upper Peninsula begins commercial operation.

The segment also includes steam service in metropolitan Milwaukee, as well as a 50 percent interest in Wisconsin River Power Co., which owns and operates two hydroelectric facilities.

Electric supply

Our electric supply strategy is to provide our customers with energy from plants using a diverse fuel mix that is expected to maintain a stable, reliable and affordable supply of electricity. Through our participation in the Midcontinent Independent System Operator (MISO) energy markets, we supply a significant amount of electricity to our customers from power plants that we own. We supplement our internally generated power supply with long-term power purchase agreements and spot purchases in the MISO energy markets.

Rated capacity by fuel type (megawatts) ¹	2015	2016	2017
Coal	4,955	4,933	4,935
Natural gas – combined cycle	1,636	1,697	1,753
Natural gas/oil – peaking units ²	1,412	1,413	1,458
Natural gas – steam turbine ³	305	320	314
Renewables ⁴	269	273	273
Total	8,577	8,636	8,733

- 1 Rated capacity is the net power output under average operating conditions with equipment in an average state of repair as of a given month in a given year. We are a summer peaking electric utility, and amounts are based on expected capacity ratings for the following summer. The values were established by tests and may change slightly from year to year.
- 2 The dual-fueled facilities generally burn oil only if natural gas is not available due to constraints on the natural gas pipeline and/or at the local natural gas distribution company that delivers natural gas to the plants.
- 3 The natural gas steam turbine represents the rated capacity associated with the Valley Power Plant units as well as Weston Unit 2.
- 4 Includes hydroelectric, biomass and wind generation.

Electricity generation and purchased power (gigawatt-hours)

	2015	2016	2017
Coal generation	25,744	23,467	24,484
Natural gas/other generation	8,986	10,367	9,302
Renewable generation	1,858	2,022	2,052
Biomass	54	103	85
Hydro	676	864	886
Wind	1,128	1,055	1,081
Total electric generation	36,588	35,856	35,838
Purchased power, non- or low-emitting	10,966	11,303	11,073
Purchased power, MISO markets	3,860	4,189	3,566
Total generated and purchased energy	51,414	51,348	50,477
Total generated and purchased renewable energy	3,105	3,441	3,526

See the Environmental section on Page 36 for more information on our generation reshaping plan.



Illinois operations

Our Illinois segment includes the natural gas utility operations of The Peoples Gas Light and Coke Co. and North Shore Gas Co., which began operations in 1855 and 1900, respectively. Peoples Gas and North Shore Gas customers are located in Chicago and the northern suburbs of Chicago. Peoples Gas also owns and operates a 38.3-billion-cubic-foot natural gas storage field in central Illinois.

Operations in other states

Our other states segment includes the natural gas utility operations of Minnesota Energy Resources Corp. and Michigan Gas Utilities Corp. Minnesota Energy Resources serves customers in various cities and communities throughout Minnesota, and Michigan Gas Utilities serves customers in southern and western Michigan.

Electric transmission – American Transmission Co.

American Transmission Co. (ATC) is a regional transmission company that owns, maintains, monitors and operates electric transmission systems in Wisconsin, Michigan, Illinois and Minnesota. ATC is regulated by the Federal Energy Regulatory Commission (FERC) for all rate terms and conditions of service and is a transmission-owning member of MISO. MISO maintains operational control of ATC’s transmission system, and We Energies and WPS are customers of MISO.

As of Dec. 31, 2017, our ownership interest in ATC was approximately 60 percent. In addition, we own approximately 75 percent of ATC Holdco LLC, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC’s traditional footprint. As of Dec. 31, 2017, we had an investment of \$376 million in ATC Holdco LLC.

Nonutility infrastructure

Our nonutility infrastructure segment includes the operations of Bluewater Natural Gas Holding LLC, following its acquisition in June 2017, and We Power.

We Power, through wholly owned subsidiaries, owns and leases certain generation facilities to We Energies. Port Washington Generating Station Unit 1 and Unit 2, both natural gas-fueled generating units, are being leased to We Energies under long-term leases that run for 25 years. Elm Road Generating Station Unit 1 and Unit 2, both coal-fueled generating units, are being leased to We Energies under long-term leases that run for 30 years. Under the lease terms, our return is calculated using a 12.7 percent return on equity and the equity ratio is assumed to be 55 percent for the Elm Road Generating Station units and 53 percent for the Port Washington Generating Station units.

Bluewater, located in southeast Michigan, provides natural gas storage and hub services to our Wisconsin natural gas distribution operations. This natural gas storage can provide approximately one-third of the current storage needs of the natural gas operations of We Energies and WPS. We Energies and WPS have entered into long-term service agreements for natural gas storage with Bluewater.

Corporate and other

Our corporate and other segment includes the operations of the WEC Energy Group holding company, the Integrys holding company and the Peoples Energy LLC holding company, as well as the operations of Wispark LLC, Wisvest LLC, Wisconsin Energy Capital Corp., WEC Business Services LLC and WPS Power Development LLC.

Wispark develops and invests in real estate. WEC Business Services is a wholly owned centralized service company that provides administrative and general support services to our regulated utilities, as well as certain services to our nonregulated entities. WPS Power Development owns distributed renewable solar projects.

In March 2017, we sold the remaining real estate holdings of Bostco LLC, which was originally formed to develop and invest in real estate.

More detail on our operating segments can be found in our [Form 10-K](#)



Environmental Performance

Protecting the environment is a responsibility we take seriously as we work to provide safe, reliable and affordable energy to our customers.

Environmental commitment guiding principles

- Include environmental factors as an integral part of planning and operating decisions.
- Recognize the contribution every employee can make to improve our environmental performance and encourage employees to become environmental stewards.
- Communicate and reinforce environmental values throughout our companies.
- Practice responsible environmental stewardship of all properties and natural resources entrusted to our management.
- Minimize adverse environmental impacts of operations by meeting or surpassing environmental standards, investing in energy efficiency measures, and supporting our recycling and waste-reduction programs.
- Support research and implement new technologies for emissions control, energy efficiency, renewable energy resources, and other environmental and health concerns associated with utility operations.
- Accept accountability for our operations by responding to environmental incidents quickly and effectively, and promptly informing appropriate parties.
- Provide public participation opportunities and welcome communication from stakeholders on environmental issues.
- Continue to foster constructive working relationships with environmental organizations, community leaders, media and government agencies.
- Participate with government and others in creating responsible laws and regulations to safeguard the environment, community and workplace.
- Commit employee and management resources to support and implement these principles.
- Periodically review performance to ensure that programs and practices are consistent with these principles.



We are restoring more than 55 acres of habitat for the endangered Karner blue butterfly along a natural gas lateral project in west-central Wisconsin.

Our approach to environmental governance

Consistent with our environmental commitment guiding principles, we pursue a proactive strategy to manage our environmental performance.

Our companies are subject to extensive environmental regulations affecting past, present and future operations, and incur significant expenditures in complying with these environmental requirements, including expenditures for pollution-control equipment, environmental monitoring, emissions fees and permits at all generating facilities.

Our governance structure and practices support a strategic focus on environmental issues. Our chief executive officer, in collaboration with our senior executive vice president, has specific responsibility for climate change-related strategies. The vice president – environmental for the utility subsidiaries, in collaboration with the manager – environmental strategy, manages tactical approaches to implement our climate change strategies.

We have a formal mechanism to provide regular environmental issue updates, including those related to climate change, to the Audit and Oversight Committee of the board of directors through quarterly reports from the vice president – environmental. The CEO also provides the board with updates on environmental matters, as necessary.

The Audit and Oversight Committee assists the board of directors in carrying out the board's responsibility to oversee our strategy and compliance with legal and regulatory requirements. The committee's oversight of environmental matters includes reviewing and providing oversight of environmental compliance matters to ensure appropriate management attention. The committee is responsible for discussing, among other things, our major environmental risk exposures and the steps management takes to monitor and control such exposures.

In addition, our companies are members of, and actively participate in, multiple industry organizations that are involved in the legislative, regulatory, research, development and demonstration processes. These organizations include Edison Electric Institute (EEI), Utility Air Regulatory Group, Utility Water Act Group, Utility Solid Waste Activities Group, American Gas Association and Electric Power Research Institute (EPRI).

Responsibility for environmental compliance lies within our operating units. The WEC Energy Group Environmental Compliance Audit program is one way to track the effectiveness of environmental compliance across the corporation. This program provides specific requirements for objectivity, scope, auditor qualifications, corporate facility coverage, frequency, quality and responsibilities. Any noncompliance is reported to senior management. The quarterly report to the Audit and Oversight Committee includes the status of the Environmental Compliance Audit program and any significant



findings of noncompliance. We also address supplier environmental performance in our procurement processes and through supplier audits that use criteria derived from the International Organization for Standardization's (ISO) 14001 guidelines to measure environmental management system compliance.

We have a commitment to audit all of our operating facilities. Our audit schedule is reviewed annually and revised as necessary to meet changing regulatory requirements and the needs of operating facilities, as well as to identify opportunities for continual improvement. We use a risk-based approach to identify potential environmental exposures and determine the necessary frequency of facility audits. A combined audit program began in mid-2015 to incorporate facilities from the legacy-Integrus operating companies with our existing facilities. Our internal environmental audit program includes the key elements of an effective environmental management system.

During 2017, we conducted 34 environmental compliance audits of power generation and customer operations facilities and 35 supplier endorsement reviews. Third-party audits and system reviews – for example, continuous emission monitoring systems – are conducted on an as-needed basis. Federal, state and local agency staff conducted 53 inspections at our companies' facilities.

Our energy companies' environmental emergency response process includes spill prevention, control and countermeasure plans for all facilities as well as contingency plans, off-site plans and site emergency response plans. An environmental incident response team is on call 24/7 to provide assistance with response to chemical spills and incidents throughout our service areas.

Supporting a clean energy future

We are committed to ensuring customers have the energy they need, operating our power plants in an environmentally responsible manner and making renewable energy a key part of our energy mix.

Our companies evaluate environmental impacts and environmental regulations, including regulation of greenhouse gas (GHG) emissions, in all facets of their strategic business planning. The companies follow a comprehensive approach to address electricity supply and reliability issues for their customers in a way that considers both the economy and the environment.

Our companies' environmental performance effectively demonstrates how environmental issues are integrated into strategic planning. In 2000, we began to strategically reshape our portfolio of electric generation facilities, resulting in reduced environmental impact and improved environmental performance.

Reducing greenhouse gas emissions

Addressing climate change is an integral component of the strategic planning process, demonstrating commitment to effective environmental stewardship while fulfilling an obligation to provide reliable energy to customers.

Investments in repowered generating facilities, new renewable energy facilities, new fossil-fueled generating facilities with state-of-the-art air quality control systems, power grid upgrades and additional environmental protection technologies position our electric energy companies well for the future.

Actions taken between 2000 and 2017:

- Eliminated more than 1,000 megawatts (MW) of coal-fueled generation from our fleet by retiring units or converting them to natural gas-fueled generation.
- Added three highly efficient, less carbon-intensive, combined-cycle natural gas units totaling 1,655 MW.
- Sold the Milwaukee County Power Plant in 2016, which facilitated its conversion from coal to natural gas.
- Entered into a long-term power purchase agreement for nuclear power produced by Point Beach Nuclear Plant, which currently totals approximately 1,030 MW.
- Executed short-term power purchase agreements for 75 MW of wind generation.
- Increased investment in energy efficiency and conservation.
- Added 438 MW of wind generation, including Wisconsin's two largest wind farms, and purchased a portion of Forward Wind Energy Center.
- Added 50 MW of biomass cogeneration at an existing paper mill site.



2018 and future projects include:

Retiring more than 1,800 MW of coal-fueled generation by 2020 including Pulliam Power Plant, Edgewater 4 (owned share), Presque Isle Power Plant and Pleasant Prairie Power Plant.

Adding more than 400 MW of natural gas-fueled generation by 2022, including reciprocating internal combustion engine facilities in the Upper Peninsula of Michigan and at the West Marinette Power Plant as well as an option to invest in the West Riverside Energy Center.

Investing in more than 350 MW of zero-carbon generation in Wisconsin, including solar generation with an option to add battery storage.

The company's initiatives of demand-side management, power plant efficiency improvements, beneficial use of combustion products in place of carbon-intensive materials, distribution system efficiencies and increased renewable energy generation have reduced systemwide GHG emissions intensity. In addition, we contribute toward state-required programs that fund energy conservation projects based on utility annual operating revenues.

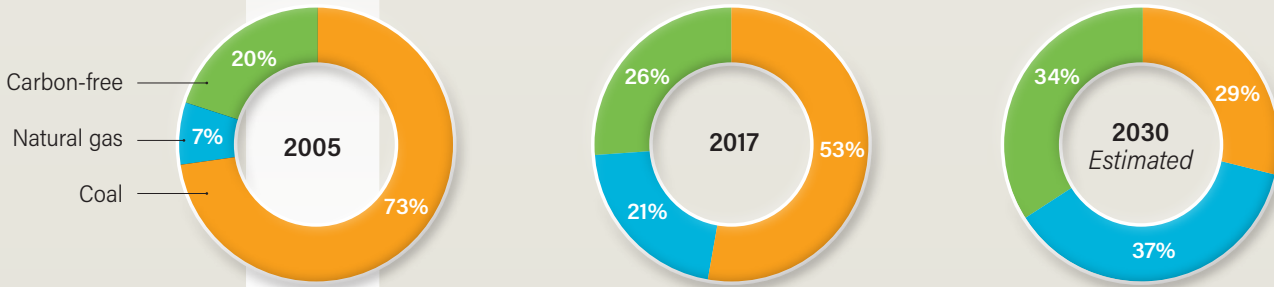
WEC Energy Group GHG reduction goal

As the regulation of GHG emissions takes shape, our plan is to work with our industry partners, environmental groups and the State of Wisconsin with a goal of reducing carbon dioxide (CO₂) emissions by approximately **40 percent below 2005 levels by 2030**. In addition, we have set a long-term goal to reduce CO₂ emissions by approximately **80 percent below 2005 levels by 2050**.

Our plan for achieving this assumes that certain older fossil-fueled generation will be replaced with carbon-free resources. Emissions attributed to fossil-fueled power plants built after the year 2000 would be reduced or mitigated with carbon-free resources, natural gas generation using more efficient technology, or other carbon reduction techniques.

Taken as a whole, changes to our generation fleet are expected to reduce costs to customers, preserve fuel diversity and reduce carbon emissions.

Sources of electricity supply by fuel type



80%
reduction in CO₂ emissions
by 2050, based on 2005 levels.



Scenario and goal analysis

The 2015 United Nations climate change conference resulted in the Paris Agreement, which aims to keep global average temperature rise this century less than 2 degrees Celsius above pre-industrial levels. The International Energy Agency (IEA) performed analyses and modeling that forecast a global pathway to that goal.

To assess the period after 2030 and minimize speculation to the extent possible, we are collaborating with EPRI and other industry members on a project that will evaluate potential GHG reduction pathways for our electric companies, taking into account IEA's 2-degree scenario and other publicly available data.

This project will:

- Help identify risks and opportunities associated with potential impacts of global efforts to manage climate change on company investments and operations.
- Develop a technical foundation for informed public dialogue and decisions on climate scenarios and targets to improve understanding of issues and technical needs.
- Seek to develop consistent analytical frameworks.
- Enable ongoing communication efforts.

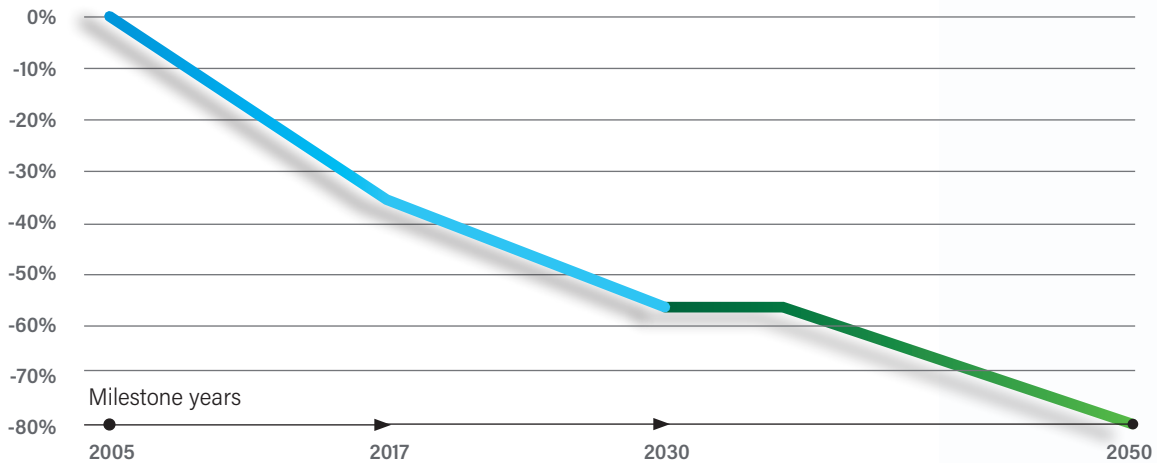
The first phase of this two-part project will provide insights and identification of issues related to characterizing scientific understanding and identifying technical issues for decision-making, with initial results expected in 2018.

A second EPRI study will focus on Wisconsin from 2020 to 2050, developing a vision of how the economy and our carbon profile could change under various assumptions associated with, for example:

- GHG reduction targets.
- Natural gas and other energy prices.
- Technology availability and costs.

This effort will identify cost-effective and resilient strategies to produce and use clean energy to realize a greater potential for efficient electrification and GHG emission reduction for our electric companies. Initial results are expected later in 2018.

Achieved and anticipated CO₂ reductions (mass)



Reduction goals:

40%
below 2005 levels
by 2030.

80%
below 2005 levels
by 2050.



Our generation reshaping plan is achieving strong results in emission reductions. As we leverage current technology and retire older coal-fueled generation, **we anticipate achieving our 40 percent reduction goal well in advance of our 2030 target.**



Assessing risks and opportunities

Our most recent carbon disclosure response, posted on our website at www.wecenergygroup.com/csr, describes climate risks and opportunities that we have identified. We have disclosed information regarding our operations and climate-related goals to CDP for more than a decade. We provide information to a number of ESG (environmental, social and governance) organizations and ratings firms to continually enhance transparency and encourage dialogue with stakeholders.

We also are collaborating with EPRI and other industry members on a project to assess the resilience of our electrical system with respect to environmental threats/risks and system vulnerabilities. This project leverages other EPRI research on microgrids, transmission and distribution grid resiliency, and grid modernization/resiliency efforts around the country.

Regulation of GHG emissions from fossil fuel sources

We have long supported flexible, market-based strategies to curb GHG emissions, including efficiency improvement, emissions trading and credit for early actions. We support approaches that encourage technology development and transfer, and include all sectors of the economy and all significant global emitters. We believe environmental and climate policy should foster development of new, cost-effective clean energy technologies. Environmental and economic interests are aligned when environmental regulation allows flexible, cost-effective and market-based approaches to achieving desired environmental results.

In 2015, the U.S. Environmental Protection Agency (EPA) issued the Clean Power Plan (CPP) to regulate GHG emissions from existing fossil-fueled power plants. The following year, the U.S. Supreme Court stayed the effectiveness of the CPP until disposition of the litigation in the D.C. Circuit Court of Appeals and, to the extent that review is sought, at the Supreme Court. The EPA proposed to repeal the CPP in October 2017 and sought comments on possible replacement of the CPP. The EPA also issued final performance standards for modified and reconstructed generating units, as well as for new fossil-fueled power plants, all of which are currently being held in abeyance.

Although the CPP will likely emerge from eventual rule revision much different from its original form, reducing GHG emissions remains an integral component of our strategic planning process. We continue to strategically reshape our generation portfolio with investments that maintain fuel diversity, reduce customer costs and achieve long-term CO₂ reduction.

Investing in longer-term alternatives

Since 2006, we have invested nearly \$6 million in climate change research and development programs through in-house work and membership in EPRI. Examples of project investments and activities include:

- Innovative technologies for capturing CO₂ from flue gas of a coal power plant in a pilot project for demonstrating chilled ammonia scrubbing of CO₂ at Pleasant Prairie Power Plant near Kenosha, Wisconsin.
- A larger-scale project at a power plant in West Virginia to demonstrate chilled ammonia scrubbing technology combined with storing captured CO₂ in an underground geologic formation.
- An effort to investigate potential to deliver GHG emissions reductions from avoided deforestation in the Amazon's Xingu River Basin.
- A project to explore development of algal biotechnology for energy production and carbon recycling.
- Two secured patents for carbon mineralization processes.
- Analysis of the impacts of current and potential future GHG policy developments.
- A project to identify cost-effective and resilient strategies to produce and use clean energy to realize a greater potential for efficient electrification and GHG emission reduction for our company and in Wisconsin.

We have made other investments, through EPRI and elsewhere, related to renewable energy and demand-side energy efficiency that also should have potential benefits related to GHG emission reductions. In 2017, we surveyed our employees about their interest in workplace charging for plug-in electric vehicles. Based on the results, we installed 10 new charging stations at seven company locations.



Local generation technology

As we implement and refine our plan to meet our GHG goal reductions, we will consider various approaches and activities that help reduce or mitigate GHG, including local generation.

Local generation is power production or energy storage technology dispersed throughout the power grid that provides electricity close to the point of use when compared to central station power generation. Local generation resources include fossil and renewable energy technologies (e.g., photovoltaic arrays, wind turbines, microturbines, reciprocating engines, fuel cells, combustion turbines and steam turbines); energy storage devices (e.g., batteries and flywheels); and combined heat and power systems.

We continue to evaluate the impact across our electric energy companies' service areas of the continued adoption of local generation by electric customers. As the number of customers with electric generating devices on their homes and businesses increases, we believe it is important that everyone who relies on the power grid pays their share of the cost to keep it operating reliably and safely.

In addition to the renewable generation facilities described in a subsequent section, we believe it is important that our electric energy companies continue to generate power at central station power plants to achieve economies of scale and produce continuous sources of power at a competitive price.

Our companies are conducting a collaborative research project with EPRI to investigate the potential for improving power system resiliency by effectively integrating local generation (microgrids) while building on the availability and reliability of the existing power grid in a compatible and interactive way. The results of this and other research and demonstration efforts will help our companies adapt their business models to realize the potential benefits – to their customers and their power grid – of incorporating local generation technologies.

Flexibility and reliability: Achieving a balance

Current GHG emissions regulation, as well as future legislation or regulation that may be adopted, carries with it a wide range of possible effects on our energy business; therefore, we strive for the flexibility to react to this variety of potential outcomes while ensuring a secure, low-cost and reliable supply of fuel for generating needs. Our electric energy companies build flexibility into fuel supply and transportation contracts to address climate change regulation.

Our companies have no guarantee that they will be allowed to fully recover costs incurred to comply with the stayed Clean Power Plan or similar regulations, or that cost recovery will not be delayed or otherwise conditioned. Regulations that may be adopted either at the federal or state level to reduce GHG emissions could have a material adverse impact on our electric generation and natural gas distribution operations, could make some of our electric generating units uneconomic to maintain or operate, and could affect unit retirement and replacement decisions. These regulations also could adversely affect our future results of operations, cash flows and financial condition.

Our strategic planning processes enable our companies to continuously evaluate these uncertainties in the context of maintaining reliable, affordable energy supplies for our customers that follow the environmental improvement trajectory that we have set.



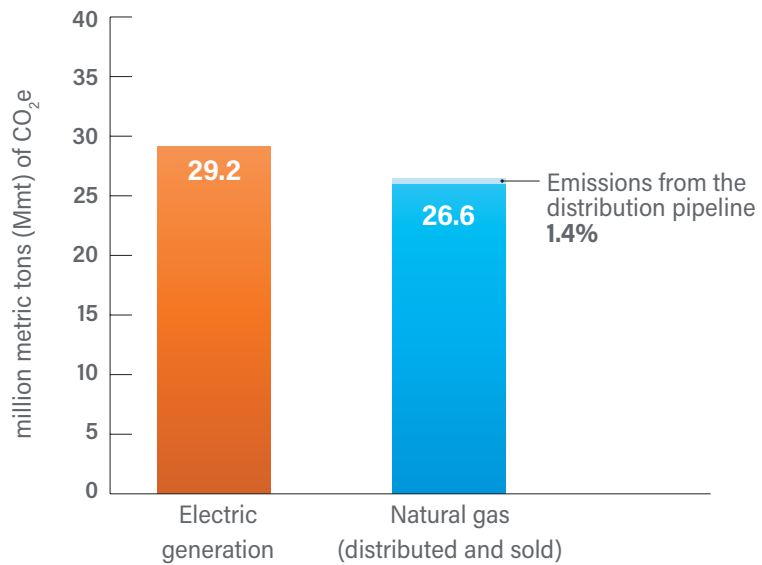
GHG and natural gas distribution

Maintaining more than 45,000 miles of natural gas mains and serving more than 2.8 million natural gas customers is no small task. Our companies are addressing the aging infrastructure of their natural gas distribution systems. In Illinois, Peoples Gas is continuing work on the System Modernization Program, a long-term project that began in 2011 under which Peoples Gas is replacing approximately 2,000 miles of Chicago's aging natural gas pipeline infrastructure. By replacing this infrastructure, the program will result in reduced methane emissions.

Progress on this program and the resulting emission reductions will be tracked and reported in the EPA's Natural Gas STAR Methane Challenge program, which helps partners demonstrate their efforts to improve air quality, save energy and increase operational efficiencies. These programs, and other ongoing pipe and component replacement activities, enhance safety and reliability for customers while reducing releases of natural gas to the environment.

Natural gas distributors report GHG emissions to the EPA. We report carbon dioxide equivalent (CO₂e) amounts related to the natural gas our energy companies distribute and sell, as well as emissions due to natural gas distribution system leaks. For 2017, we reported emissions of approximately 26.6 million metric tons of CO₂e to the EPA related to the distribution and sale of natural gas. Emissions from the distribution pipeline represented approximately 1.4 percent of this amount. By comparison, emissions from electricity generation totaled approximately 29.2 million metric tons of CO₂e.

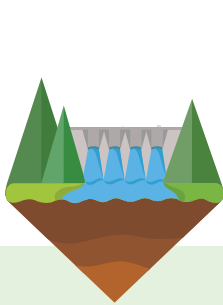
2017 GHG emissions from electricity generation and natural gas distribution



Renewable energy: A plus for the environment

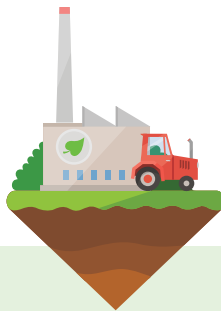
Fuel diversity in our electric companies' generation portfolios has been key to our strategy of providing environmental leadership and reliable electricity at competitive prices.

Our renewable energy facilities continue to provide nonemitting generation, driving compliance with Wisconsin Act 141 and Michigan Public Act 295, the states' renewable portfolio standards, and reducing system carbon intensity. We Energies and WPS met the renewable portfolio standards well in advance of the state deadlines:



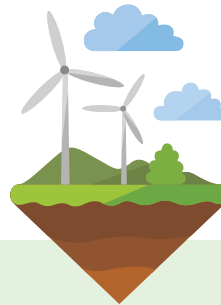
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hydro plants
Capacity: 173 MW



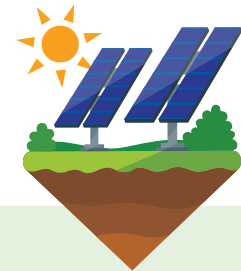
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biomass plant
Capacity: 50 MW



280

wind turbines
Capacity: 447 MW



Utility-scale solar
coming by 2020
Capacity: 350 MW



We Energies offers the Energy for Tomorrow® program to electric customers who want to strengthen the market for renewable electricity using resources such as wind, solar and biomass. Program participants enroll at the 25-, 50- or 100-percent level, and We Energies produces or purchases renewable energy to match that percentage of their electricity use. Some participants have installed solar energy systems on their homes or businesses, and electricity from these systems is added to the grid. Energy for Tomorrow is Green-e certified and meets the environmental and consumer protection standards set forth by the nonprofit Center for Resource Solutions.

The NatureWise® program at WPS similarly offers customers the opportunity to purchase specified amounts of electricity from renewable sources.

Performance data

Air emission reductions

Air quality control systems and other measures at our facilities have resulted in combined sulfur dioxide (SO₂), nitrogen oxide (NO_x) and mercury (Hg) emissions reductions greater than 80 percent when compared to 2000 emissions.

- At Weston Power Plant Unit 3, the ReACT (Regenerative Activated Coke Technology) system complements the fabric filters, low NO_x burners and separated over-fire air system, and mercury control system to reduce SO₂, NO_x, mercury and other emissions. Weston Unit 4 is equipped with a selective catalytic reduction (SCR) system, powdered activated carbon system, dry scrubber, and fabric filter baghouse to reduce NO_x, mercury, SO₂, particulate matter and other emissions.
- Elm Road Generating Station is equipped with state-of-the-art technologies for air quality controls, including SCR systems, fabric filter baghouses, wet scrubbers and wet electrostatic precipitators.
- Through the use of chemical additives to the coal supplies at the Oak Creek site, we are able to capture more than 90 percent of the mercury from the Oak Creek units.
- All of our coal-fueled power plants use either fabric filter baghouses or electrostatic precipitators to remove more than 90 percent of particulate matter. In addition, the units that have wet scrubbers to control SO₂ achieve further particulate removal.

Emissions data from electricity generation are reported on this page based on ownership share.

Air emissions from electricity generation

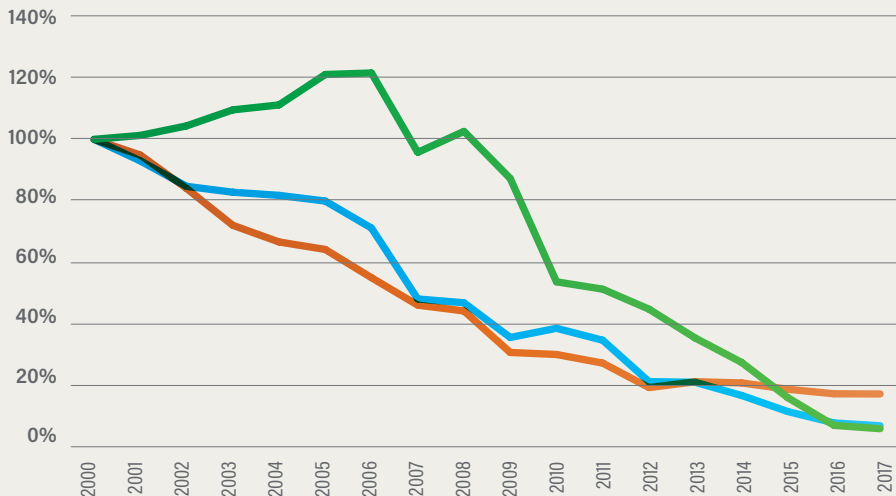
		2015	2016	2017
Sulfur dioxide (SO ₂)	(kg)	15,393,457	10,273,266	8,797,083
	(kg/MWh)	0.42	0.30	0.26
Nitrogen oxide (NO _x)	(kg)	13,510,615	11,803,752	11,044,724
	(kg/MWh)	0.37	0.35	0.33
Particulate matter (PM)	(kg)	2,062,962	1,088,375	1,126,785
	(kg/MWh)	0.056	0.032	0.033
Volatile organic compound (VOC)	(kg)	433,641	347,989	369,236
	(kg/MWh)	0.012	0.010	0.011
Mercury (Hg)	(kg)	109.1	45	56
	(kg/MWh)	0.000003	0.000001	0.000002

GHG emissions from electricity generation and purchases (1,000 metric tons carbon dioxide equivalents (CO₂e))

	2015	2016	2017
Coal generation	27,174	24,374	25,460
Natural gas/other generation	4,059	4,684	4,334
Purchased power*	4,533	4,986	3,540
Total CO₂e (1,000 metric tons)	35,740	34,044	33,334
System GHG intensity (metric tons/MWh)	0.70	0.66	0.66

* CO₂e from purchased power was estimated using regional factors published by the Michigan Public Service Commission.

Declining emissions



Mercury
94% ↓

SO₂
93% ↓

NO_x
83% ↓

Beneficial use of combustion products

We Energies and WPS have several initiatives that recover and use materials produced from plant operations.

In the past 17 years, our companies have provided more than 14.5 million metric tons of combustion products for beneficial use. Most of these materials have been used as construction materials in concrete, concrete products, cement manufacturing, and wallboard production, and as alternative materials to sand, gravel and crushed stone aggregates. A corporate directive specifies that combustion products produced by our power plants are to be used whenever possible on our companies' projects.

Gypsum and wood ash also have been beneficially used as soil amendments in agricultural applications. We are partnering with Beneficial Reuse Management to build a pellet plant in Caledonia, Wisconsin, that was in start-up during the fourth quarter of 2017. Gypsum produced at our power plants will be used to manufacture blendable pellets at this new facility in southeast Wisconsin. These durable pellets are expected to increase the usability of the gypsum and provide greater options for the agricultural community.

In addition to the successful use of ash and gypsum, we sold 100 percent of the sulfuric acid produced at the Weston Generating Power Plant ReACT air emission control system to local industrial users in 2017. WPS is the first electric company in the United States to sell sulfuric acid produced from a coal-fueled electric generating facility's air emission control system.

Our companies maintain highly successful research and development programs that include numerous patents that have the potential to further support use of combustion products from our power plants. As changes occur in the makeup and quantities of materials produced due to power plant operations or environmental regulations, research and development efforts position our companies to continue beneficial use of these materials.

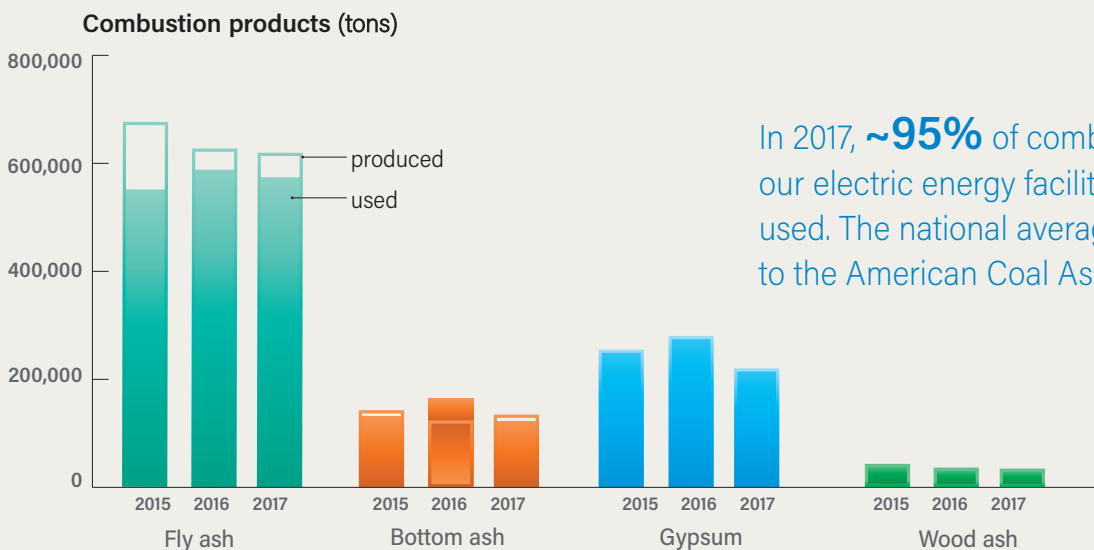
We have demonstrated the performance of using combustion products in asphaltic concrete pavement at multiple locations by replacing a portion of the asphalt binder. Initial results indicate that using combustion products as a binder enhancer can improve the strength and longevity of the pavement in the extreme weather conditions of northern Wisconsin, and reduce the energy needed to produce asphaltic concrete.

Part of the effort to maximize beneficial use of byproducts includes reburning some combustion products with coal to recover residual fuel value in the materials and to improve the characteristics of coal ash for beneficial use. Since 2000, these processes have displaced more than 3,908 rail cars, or more than 406,000 metric tons, of coal that otherwise would need to be purchased, while producing additional quality materials for the construction industry.

We Energies does not use any wet coal ash impoundments. The WPS Weston Power Plant site has a small bottom ash pond that is scheduled for ash removal and closing by 2021.

Combustion products (metric tons)	2015	2016	2017
Combustion products produced	999,900	955,400	900,300
Combustion products used	880,600	958,300	851,300
Percent used	88	100	95

Bottom ash and recovered landfill ash (metric tons)	2015	2016	2017
Coal ash reburn	14,100	1,500	10,000
Coal displaced	3,750	440	1,840



In 2017, **~95%** of combustion products from our electric energy facilities were beneficially used. The national average is **56%**, according to the American Coal Ash Association.

Labels in this chart have been corrected since its original publication.

Water resources management

Our companies recycle water used in power generation and use systems that minimize consumptive water loss. Most of our power plants use open-cycle cooling systems. These systems withdraw surface water from natural cold water sources, pump the water through steam condensers to cool and condense the steam that drives turbine generators, and then return all of the cooling water to the source. For facilities with cooling towers, about 25 percent of the water is returned to the source with the balance of the water loss going to the air during the evaporative cooling process.

Several of our power plants have modified water intake structures to meet requirements of new federal rules. The state regulatory agencies that implement these rules have determined that power plant intake structure modifications at those plants are the best technology available for each facility. Many of our water intake modification projects were installed well ahead of the EPA-required implementation dates. This proactive approach minimizes environmental impacts on fish and other aquatic organisms by using intake structures that meet best technology available standards.

Fox Energy Center beneficially uses treated effluent from the Heart of the Valley Metropolitan Sewerage District to supply its process water and cooling water needs. Use of treated effluent wastewater that would otherwise be returned to the Fox River is an environmentally preferable alternative to the use of surface water or groundwater resources. Water received at the facility undergoes additional treatment for the removal of pollutants such as mercury, phosphorus and total suspended solids. The beneficial use of treated effluent results in a net reduction in the quantity of pollutants that would otherwise be discharged into the Fox River. This results in a net benefit to the public and the aquatic environment in the Fox River.

Water (billion cubic meters)	2015	2016	2017
Withdrawn from major sources	3.50	3.31	3.57
Municipal water purchases	0.004	0.003	0.003
Returned to source	3.47	3.28	3.54
Percent returned to source*	99.1	99.2	99.2

* Most of the water use is once-through cooling.

Recycling commitment

Recycling is an integral part of our corporate environmental commitment, affecting all of our facilities. We encourage employees to be responsible for environmental stewardship by supporting our recycling and waste-reduction programs. Waste minimization is the first step in effective use of materials, and our recycling commitment encourages all efforts to minimize waste – reduce, reuse and then recycle. Effectiveness of the recycling program depends on employee participation and results in:

- Avoided disposal costs due to reducing the amount of material for disposal
- Proceeds from the sale of recycled materials that help reduce the cost of operating a recycling program

Hazardous and nonhazardous

waste (metric tons)	2015	2016	2017
Hazardous waste generated	353	15	100
Hazardous waste recycled	2	7	9
Nonhazardous waste generated	19,847	18,911	18,253
Nonhazardous waste recycled	11,728	10,456	8,917



Over the past five years, on average, our companies have recycled **more than 52%** of nonhazardous waste.

Stewardship

We seek to enhance the sensitive natural habitats on our companies' properties, using sound practices to manage for multiple uses – aesthetics, biodiversity, cultural resources, forestry, recreation, water quality and wildlife.

We support stewardship efforts that reach beyond properties and across state borders. Some electric and natural gas facilities are located in protected, potentially sensitive habitats such as wetlands, grasslands, savannas and forests. When we consider new facility locations or routes, or maintain and/or upgrade existing facilities, environmental staff members work with project teams to avoid potentially sensitive areas, protect the surrounding environment and minimize potential impacts to ecological, archaeological, historic and other cultural resources.

A small percentage of natural gas and electric distribution projects have some natural resource impacts (wetland/waterway/rare species). Our employees work diligently to avoid or significantly minimize natural resource impacts. Careful planning and implementation during electric distribution and natural gas lateral pipeline projects have resulted in a net improvement in quality of wetland habitat and increased biodiversity following construction activities as a result of restoration and management of impacted wetlands.

Our companies look for opportunities to work with local, state and federal agency staff in a collaborative manner during the regulatory review of our projects. Appropriate stakeholders are brought together to achieve positive stewardship goals through opportunities during construction of proposed distribution projects.

Members of our staff lead several comprehensive wildlife conservation efforts with the coordination and cooperation of the Wisconsin Department of Natural Resources (WDNR) and multiple partners. Priority goes to species and native ecosystems in the greatest need of protection, recovery and enhancement.



Wisconsin is home to the largest remaining population of the federally endangered **Karner blue butterfly** in the world. Our companies have worked with the U.S. Fish and Wildlife Service and the WDNR to develop and implement the habitat conservation plan.

Wild lupine is crucial to the survival of Karner blue butterflies, as they are incapable of reproducing without it. Our companies' construction and maintenance projects remove brush along corridors to allow lupine to grow and thrive.



The **monarch butterfly population** is in decline in North America. In collaboration with American Transmission Co. and other utilities, public agencies, and others, we have joined an initiative in Wisconsin to develop a plan to preserve and restore the butterfly's habitat. Strategies under discussion include planting critical habitat, altering land management activities and monitoring the outcomes at these sites.



Our companies also look for opportunities to work with the general public to increase natural resource stewardship awareness.

Wisconsin Public Service has celebrated Arbor Day since 2003 by planting trees at schools in its service area and has purchased 600 sapling trees annually since 2013 to provide to local schoolchildren. The Environmental department purchases the saplings, and employee volunteers bag each sapling and tag each tree with an information card specific to that species.



Ospreys frequently try to nest on top of power poles, which can result in power outages and harm to the ospreys. Our companies have helped install dozens of osprey platforms in more than 30 different counties in Wisconsin and Michigan's Upper Peninsula. These efforts have supported the recovery of the ospreys, which now exceed more than 500 breeding pairs in Wisconsin alone.

Since 1980, field crews have constructed alternative nest structures for osprey breeding pairs and have assisted private and public land owners in erecting nest structures in key habitat locations.



In Michigan, we have worked with the Michigan Department of Natural Resources (MDNR) and local sport fishing organizations since 2003 on a net penning project for **chinook salmon** at Presque Isle Power Plant. The process provides an interim habitat for salmon to adapt to the lake rather than stocking these directly into the open waters of Lake Superior. The process allows fish to become better acclimated to the environmental challenges ahead and build defenses against predator birds. Return rates for similar projects have been up to 20 percent compared with direct stocking return rates of approximately 2 percent.



Wood turtles are a protected species living throughout much of the companies' service areas. When a project has the potential to coincide with wood turtle habitat, we collaborate with the state endangered resources staff to take appropriate measures to avoid any impacts. If natural gas and electric projects cross corridors that are home to wood turtles, construction practices are altered and plans devised to avoid impact. We have been an active partner since 2011 with a nonprofit organization dedicated to the recovery of diminished wood turtle populations in Wisconsin.



Peregrine falcons are calling our companies' power plants home. Our companies have maintained nesting boxes on power plant chimneys and rooftops for more than two decades. More than 340 peregrine young – more than one-fifth of the peregrine falcon population in Wisconsin – have been born at our companies' power plant nesting boxes. To help educate and raise awareness of the species, real-time viewing is available through live video streaming.



We have partnered with the WDNR to protect the spawning of **muskie, white suckers and walleye** at the Peshtigo Dam. In addition, we work with the WDNR and the U.S. Fish and Wildlife Service to control the sea lamprey population. The lampreys prey on game fish in Lake Michigan and then travel upstream to spawn in the Peshtigo and Menominee rivers.

Staff also coordinated with the **Ozaukee Fish Passage Program** to relocate and improve a portion of Mineral Springs Creek located on company land in Port Washington, Wisconsin. This successful project, completed in 2017, improved fish habitat in this portion of the creek and allows fish access from Lake Michigan to more than 3 miles of upstream creek and wetland habitats for spawning. The habitat supports popular sport fish such as walleye and salmon, as well as rare species such as greater redhorse, striped shiner and longear sunfish. A street bridge over the creek allows the public to view fish in the restored creek as they swim upstream to spawn.



The company sponsored and conducted a first-of-its-kind research project at the Blue Sky Green Field Wind Energy Center to investigate an operational method that would maximize renewable energy generation while **minimizing bat fatalities** at wind turbines. The EPRI project included use of "smart curtailment" technology on several turbines, including acoustic devices to detect bats in the area by monitoring their calls. The bat call data, along with weather data, was used by a predictive model that continuously evaluated the risk of bat activity near the turbines. Wind farm operators could use the data to decide when to curtail operation.



Natural areas and wetlands

We support efforts to create, restore and manage native habitats and other natural features on our companies' properties. A wide variety of flora and wildlife species, including numerous rare species, are supported on hundreds of acres of actively managed company lands.

A unique migratory bird stopover habitat on the former south coal dock at Port Washington Generating Station was created in 2011. Through continued active management, this approximate 5-acre marsh, wet meadow and tallgrass prairie habitat continues to thrive as a migratory bird resting place along the Lake Michigan shoreline. It is along a primary flight corridor in the heart of the Mississippi flyway and has had more than 100 species recorded at the site including waterfowl, shorebirds and passerine.

Hundreds of acres of natural areas contained within closed and active ash landfills are actively managed to promote biodiversity, maintain large blocks of intact natural areas and restore native communities occurring within our companies' service areas. Numerous state rare species occur on these properties, and their habitats are managed for long-term viability. Additionally, native prairie species are used to convert landfill areas to native grasslands.

Prescribed burns are used to manage approximately 90 acres of restored wetland, enhanced wetland, upland prairie and upland woodlands for invasive plant species near the Elm Road Generating Station in Oak Creek, Wisconsin.

At several properties, native plantings are used to augment storm water control facilities. Filter strips and native buffers are being used to reduce sediment loading. Storm water management plans for power distribution sites are incorporating native plants. Native plantings include species not only for their value in storm water management but also for substantial wildlife value for local fauna, including the monarch butterfly.

Our companies also support activities aimed at restoring habitat through controlling invasive plants and animals such as buckthorn, Eurasian watermilfoil, garlic mustard, purple loosestrife, leafy spurge, giant reed grass, Japanese knotweed, sea lamprey, and zebra and quagga mussels, among others. Our companies conduct research and provide ongoing support for research by others on aquatic invasive species management. In addition, we contribute resources to assist agencies and other groups that conduct invasive species surveys, manage natural areas and produce educational materials about invasive species and the threats they pose to biodiversity. Our companies also support land-management activities related to invasive species identification, control and management of thousands of acres in our companies' service areas.

Employee volunteer projects have helped with beach cleanup and restorations, adopt-a-highway and adopt-a-trail projects for semi-annual cleanups and community garden cleanups. Also, line clearance coordinators do "Plant the Right Tree in the Right Location" outreach programs with area schools and community gardens.

Other environmental activities

Manufactured gas plant sites: From the early 1800s until the 1960s, gas for heating and lighting was manufactured at local plants. Offering an alternative to wood and coal, these manufactured gas plants prospered until more affordable and cleaner natural gas began to arrive via pipelines. WEC Energy Group subsidiaries are responsible for the cleanup of several former gas plant sites.

Milwaukee Solvay: In May 2017, Wisconsin Gas purchased a 46-acre property with extensive frontage on the city's inner harbor, known as the former Milwaukee Solvay Coke and Gas site. The site was owned and operated by a predecessor company, the Milwaukee Gas Light Co., from approximately 1947 to 1956. We currently are working with other responsible parties, with oversight from the EPA and the WDNR, to investigate and clean up at the site. Ownership will allow us to better control the cost of the cleanup while working with the City of Milwaukee and other interested parties to revitalize this property for future use. In 2017, we performed significant site cleanup, recycling and preparation activities to ready the site for remediation.

Great Lakes Legacy Act Project Agreement: In December 2016, we signed a project agreement with the U.S. EPA's Great Lakes National Program Office to complete a remedial investigation and feasibility study for contaminated sediments in the Menomonee and Milwaukee rivers. Partnering with the WDNR, we are leveraging more than \$1.1 million from the Great Lakes Legacy Act and building upon the previous river work we performed near the locations of two former manufactured gas plants. We have completed the investigation and are currently developing a feasibility study based upon the results of the investigation.

U.S. Army Corps of Engineers permitting: The company has signed a memorandum of agreement (MOA) with the St. Paul District of the U.S. Army Corps of Engineers to participate in a voluntary program that will allow us to provide funding directed toward an expedited permit application process. We are jointly coordinating this effort with American Transmission Co. The MOA is aimed at addressing the permitting needs of our Wisconsin and Minnesota operations conducted by We Energies, Wisconsin Public Service, Minnesota Energy Resources and Wisconsin River Power Co.

Recreational improvements

Our companies work with state agencies in both Wisconsin and Michigan to continue protection of natural resources and public recreational opportunities at lands our companies formerly owned. Prior-owned company lands sold to the WDNR and the MDNR now permanently protect nearly 13,000 acres of unique and environmentally important habitats and waterways in northern Wisconsin and the Upper Peninsula of Michigan. They include the Menominee River State Park and Recreation Area, the Sturgeon River Gorge Wilderness, Peshtigo River State Forest and Governor Thompson State Park.

Repowering the Port Washington Power Plant from coal-fueled units built in the 1930s to high-efficiency natural gas generation facilitated redevelopment of the former north coal dock to a lakefront park in downtown Port Washington, Wisconsin. The company worked with a number of agencies including the City of Port Washington, which received more than \$1.1 million in grants to support overall redevelopment of the site for improved public access and additional recreational opportunities.

We support habitat protection and/or restoration through the following sites and organizations in our service areas:

Bain Station Prairie + Baird Creek Preservation Foundation + Caledonia Conservancy + Chiwaukee Prairie + Eagle Bluff Environmental Learning Center + Friends of the Chicago River + Forest Beach Migratory Preserve + Fox-Wolf Watershed Alliance + Fund for Lake Michigan + High Cliff State Park + Harbor District Inc. + Lake Forest Open Lands + Lapham Peak State Park + Mequon Nature Preserve + Milwaukee River Greenway + Natural Resources Foundation of Wisconsin + Openlands + Preservation Foundation of the Lake County Forest Preserves + Riveredge Nature Center + Seven Generations Ahead + Sidney Woodlands Preserve + Southeastern Wisconsin Watersheds Trust Inc. + Spread Eagle Barrens State Natural Area + Ulao Creek Watershed + Wilderness Shores Recreation Areas (along with numerous Wisconsin and Michigan shoreland areas) + Zumbro Valley Watershed Partnership





This redeveloped site provides a public access road, fishing platform and a kayak/canoe launch south of the repowered Port Washington Generating Station. Open access to the stopover habitat area created on the south dock is afforded to the public through a recreational trail loop and connection to adjacent city parklands.

Our companies also work with local communities to promote recreational opportunities for community residents and schools. Some examples:

- A Marquette, Michigan, bike group's project to install a mountain bike course on properties associated with the Presque Isle Power Plant.
- County projects in Wisconsin to install recreational trails, such as the Lake Country Bike Trail, on company-owned electric corridors.
- A power line-friendly garden at Monk Botanical Gardens in Wausau, Wisconsin.

In our projects, we not only protect natural resources but also look to minimize negative impacts to cultural resources. In 2017, we replaced leaking wood stave penstocks with steel penstocks at the Grandfather Falls Hydroelectric Project. The existing penstocks had historical value because there are few hydroelectric projects remaining that use wood stave penstocks. To allow future generations to be able to see a wood stave penstock, we preserved a section of it for an interactive display at the Grandfather Falls Hydroelectric Project. The display allows members of the public using the Ice Age Trail to walk through the old segment of penstock and see and feel how hydroelectric facilities were constructed in the past.

Community support

The We Energies and WPS foundations and our other operating companies provide grants that promote the environment in areas they serve. We also support the efforts of others for the betterment of fish and wildlife, water and air quality, forests, energy efficiency, renewable energy and recycling.

Our foundations review applications received from throughout our service areas and make recommendations for grants and funding. In 2017, contributions were made to nature centers and preserves, county planning and parks departments, conservancy trusts and other nonprofit organizations. The grants supported a variety of initiatives, including avian rehabilitation, wildlife sanctuaries, forest enrichment, research projects, natural resource education, conservation, wildlife management and water quality improvement.

We also have continued our support of annual community cleanups of rivers and other sensitive areas, conservation programs, education programs on sustainable forestry and invasive species, Arbor Day programs, programs supporting species such as whooping cranes and sturgeon, and raptor education and rescue.

We appreciate the opportunity to assist organizations in achieving lasting results that help create brighter futures for the communities in which we do business.

For more information on our foundations, see Page 65.

Peoples Gas and North Shore Gas employees volunteer their time



Social Performance

WEC Energy Group companies are customer-focused, prioritizing safety, reliability and efficiency. Our employees work every day to support the communities we serve.

Reliability

Because our customers depend on reliable service, we have made significant capital investments in recent years, and plan to continue strengthening and modernizing our generation and distribution network.

Electric reliability

Keeping the lights on and providing customers with as much information as possible during electric power outages are important to customer satisfaction.

That's why, when bad weather threatens, our electric energy companies mobilize to provide customers with proactive, accurate and consistent information about the potential impact to their electric service. We want customers to know that we are monitoring forecasts, assessing availability of employees and contractors, and checking inventories for poles, wires and other equipment that may be needed.

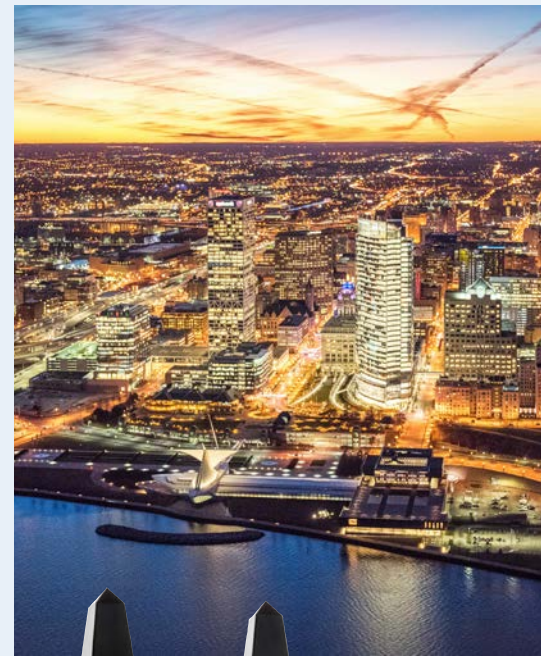
When outages occur, we provide customers with regular updates on both their specific outage and the overall damage to our system. We also keep them up to date on our progress in restoring service. We share messages with customers through online outage maps, automated call handling equipment, care center agents, account managers and public and social media. Outbound calls also let customers know the reason for and status of their outage and confirm that their service has been restored.

Natural gas reliability

We deliver natural gas service reliably to residential and business customers through a network of underground pipes. Our natural gas distribution companies regularly monitor the pipes to ensure their integrity and follow a plan to upgrade aging equipment to ensure reliable service.

The prices our companies pay for natural gas are the prices passed along to our customers. To reduce the impact of natural gas price spikes, our companies buy natural gas when prices are lower – usually in summer – and place it in storage. This stored gas is then blended with natural gas that is price-locked through contracts and with gas that is purchased on the spot market. This strategy ensures reliable service and less volatile prices throughout the year.

➔ Detailed information on current reliability-focused projects can be found in the “Strategic Initiatives” section of this report on Page 11.



In 2017, We Energies earned PA Consulting's National ReliabilityOne Excellence Award for outstanding electric reliability performance, which reflects strong operational skills, data processing, customer focus and technology deployment.

PA Consulting also presented We Energies with the Midwest Regional ReliabilityOne Award for the seventh consecutive year.



Lending support beyond our service area

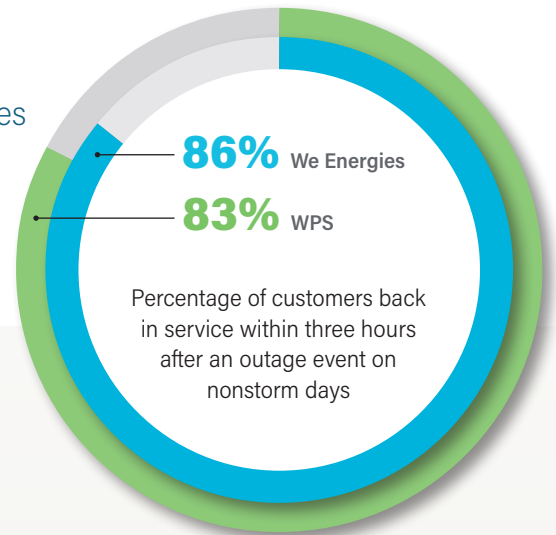
Our employees work safely and efficiently not only to provide reliable service to our customers but also to support the reliability of the national power grid. We are part of our industry's mutual assistance network, a voluntary partnership of electric companies across the U.S. that may be called upon to help with grid restoration efforts following hurricanes, earthquakes and other natural disasters.

In 2017, more than 50 employees from We Energies and Wisconsin Public Service (WPS) joined more than 50,000 utility personnel restoring power in the wake of Hurricane Irma. Crews arrived in the Atlanta area in mid-September and helped restore electric service to customers of Georgia Power. WPS crews then assisted Florida Power and Light in the St. Augustine area.

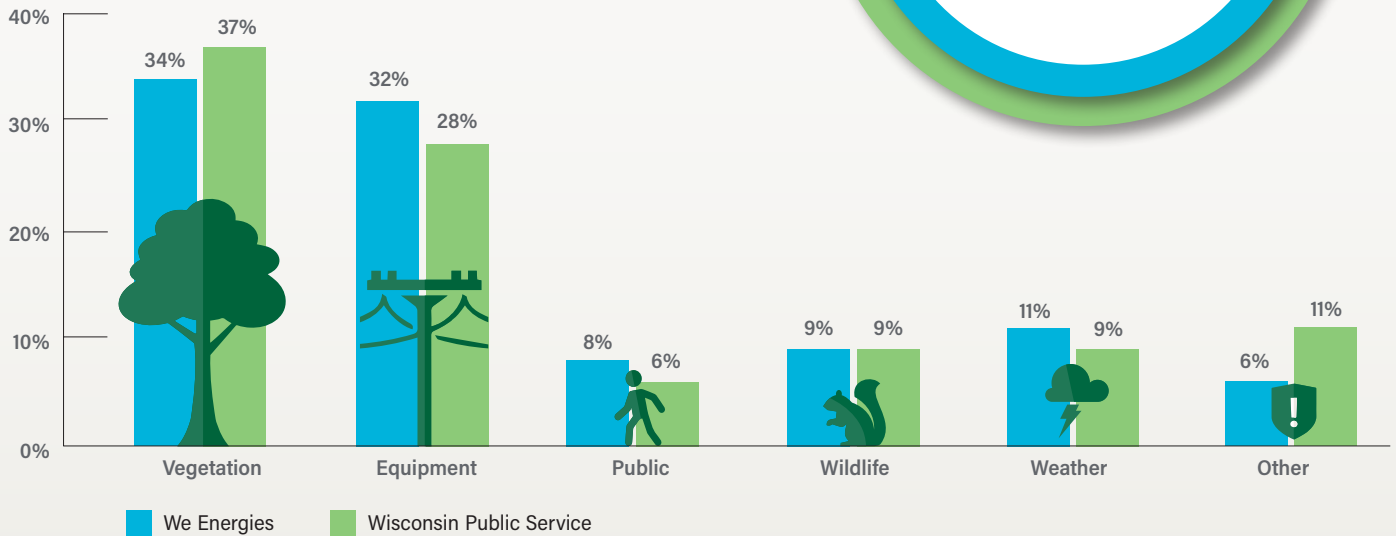
The Edison Electric Institute presented We Energies and WPS with the Emergency Assistance Award in recognition of their outstanding work.

Power outages

At WEC Energy Group companies, a key annual goal is to deliver world-class reliability to our customers. This includes achieving stretch targets for outage frequency and restoration times. The objective is to achieve indexes that are better than the target numbers.



2017 power outages by cause



Power outage statistics*

We Energies

Power outage frequency

SAIFI¹ – 0.71 interruptions

Average power outage duration

SAIDI² – 121 minutes

CAIDI³ – 171 minutes

WPS

Power outage frequency

SAIFI¹ – 1.00 interruptions

Average power outage duration

SAIDI² – 177 minutes

CAIDI³ – 177 minutes

* SAIFI, SAIDI and CAIDI values exclude extraordinary storms and transmission-related outages.

1 SAIFI: System Average Interruption Frequency Index – A SAIFI of 1.0 means that, on average, a customer would experience one interruption in a year, while a SAIFI of 0.5 would equate to one interruption every two years.

2 SAIDI: System Average Interruption Duration Index – A SAIDI of 50 minutes means that, on average, a customer would experience 50 minutes of interruption in a year.

3 CAIDI: Customer Average Interruption Duration Index – A CAIDI of 100 minutes means that if a customer experiences an interruption, the average duration would be 100 minutes.



We make customer privacy a priority

Our companies take privacy and protection of customer information seriously and have rigorous controls in place to ensure that customer information is protected and used appropriately.

- Information collected from customers is limited to only what is necessary to provide the service requested.
- Only authorized employees and organizations hired to provide services have access to customer information.
- Customer information housed in our systems is monitored.
- All employees with access to customer information are required to complete annual information protection training and certification.
- Contractors performing work on our companies' behalf must confirm that they understand and abide by their obligations to protect customer information.
- Customer information protection policies are strictly enforced.
- Customers' online account information is protected by secure sign-in features to prevent unauthorized access.
- Customer information is never shared without permission, unless required by law.

Customer engagement

Our energy companies are committed to creating an excellent experience for every customer by offering truly personal care — every customer, every transaction, every time.

Our companies invest in systems and processes to enhance their ability to deliver energy to customers safely, cost-effectively and dependably. This also includes ensuring the security of data and systems to protect customer information, and providing information customers need to make smart decisions about their energy use and service options.

Additionally, our companies continue efforts to help customers who may have difficulty paying their bills get back on track.

Listening to customers

Understanding what customers want is a key to success. Our companies want to know how customers feel about our energy products, services, resources and interactions with our employees. We work to ensure it is easy to do business with us and that the entire experience is positive.

A variety of feedback mechanisms are in place to help us get a complete picture of customers' experiences with our companies. The feedback we obtain:

- Confirms what was done right.
- Provides understanding where improvements can be made.
- Helps leadership prioritize projects and make resource decisions based upon what's most important to customers.
- Provides opportunity to follow up and make it right when a customer is not completely satisfied.
- Keeps the mission on track to provide an excellent experience for every customer, every transaction, every time.

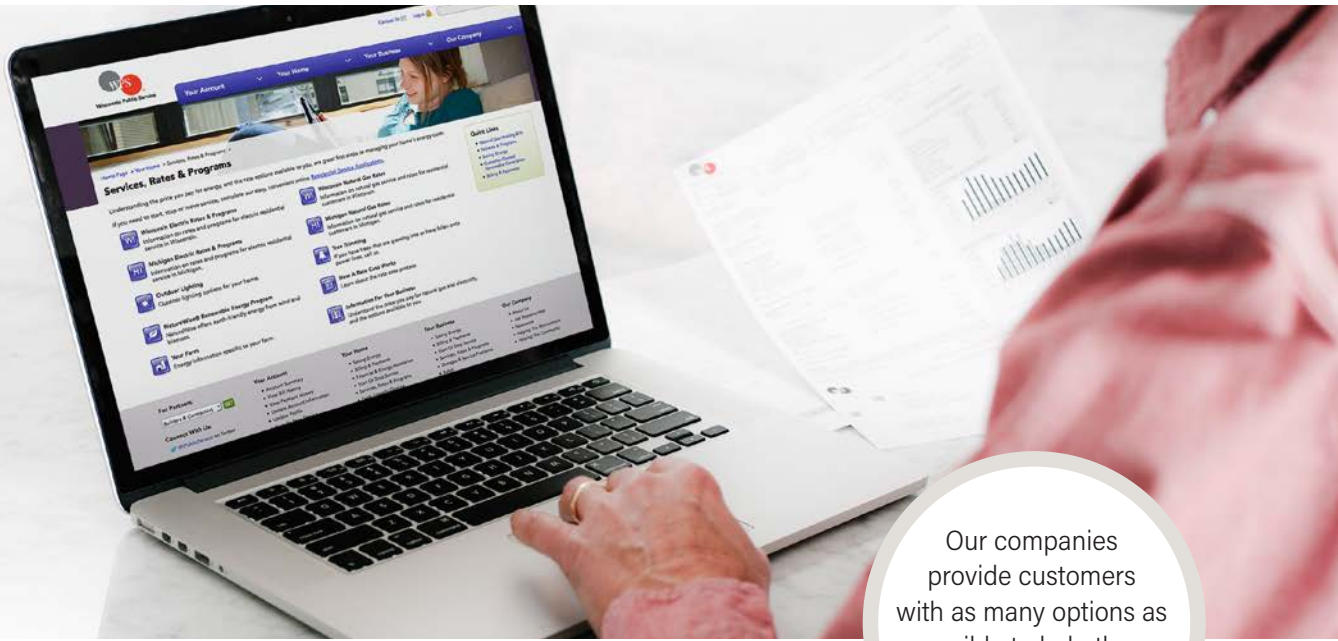
Customer satisfaction surveys

Daily customer satisfaction surveys are used at all of our energy companies to measure performance on key transactions and gauge overall satisfaction. Approximately 38,000 customers are surveyed each year about their experiences on the following transactions:

- Residential customer contacts.
- Residential move orders.
- Business customer contacts.
- Billing.
- Electric outage management
- Natural gas emergencies.
- New service installations.
- Appointments.

Post-interaction surveys

Many customers have the option of completing a survey whenever they interact with company websites or customer care centers. Approximately 38,600 customers took advantage of this opportunity in 2017. We review survey results daily and follow up promptly whenever there is an issue or concern.



We Care calls

Our companies want every customer interaction to be a positive experience. In many cases, employees follow up with a phone call to confirm that customers who recently had service calls were completely satisfied with the service they received. Customers who express concerns receive additional follow-up to ensure that their concerns are addressed.

The We Care call program is in place at We Energies, WPS, Peoples Gas and North Shore Gas.

In 2017, over 336,000 residential and business customers were contacted with either personal or automated We Care calls.

Digital engagement

Many of our companies use social media to communicate with customers and enhance their customer experience. Social media channels are monitored, and customers receive personal responses to specific questions and concerns. Our companies continue to expand their social media capability.

During storms and other events, our companies use traditional channels, online outage maps and social media to warn customers about the dangers associated with downed wires and damaged natural gas mains.

Over 6,000 residential customers have joined MyEnergyPanel, our new online feedback group. They share their opinions with us through monthly surveys and discussions. MyEnergyPanel is dedicated to improving the overall customer experience, focusing on experiences with customer service, energy reliability, bill paying and other topics.

Offering options

Customers have different needs and preferences, and having choices is important to them.

Billing options, which vary by energy company, include online billing, seasonal billing, renewable energy pricing and budget billing to spread energy charges more evenly over 12 months.

Payment arrangements. Difficult circumstances can arise that may prevent customers from paying their bills in full. We encourage customers having problems paying their bills to contact and work with our companies to keep their service connected.

We offer flexible payment arrangements based upon each customer's individual situation. Flexibility may be reflected in timelines, required down payment amounts and payment plan timeframes. We also encourage customers to apply for energy assistance and home weatherization, consider billing options and implement energy-efficiency tactics to reduce monthly costs.

Options for low-income customers. Our companies work collaboratively with government agencies and community-based organizations throughout their service areas to address the needs of low-income customers. We inform customers about home energy assistance through federal and state funding. We also offer weatherization services for some customers on our low-income pay plans and partner with the Wisconsin State Weatherization program.

Our companies make regular contributions to nonprofit organizations to help provide financial assistance and case management services. On our websites and in our communications, customers can find efficiency tips to help save money on their energy bills.

Our companies provide customers with as many options as possible to help them manage their energy services.



We are investing in advanced metering technologies across all of our companies to:

- Ensure timely and accurate billing.
- Provide analytics that help identify metering quality and tampering issues.
- Provide customers with more usage- and demand-based billing and energy management options in the future.
- Enable faster, more convenient completion of electric meter connection and reconnection service requests.
- Improve electric service outage restoration.

Helping customers manage energy use

Our energy companies focus on providing tools and assistance that help customers understand and manage their energy use. Company representatives consult with customers and provide energy-saving tips and suggestions over the phone. In addition, customers may be able to take advantage of other options. Programs vary from state to state and by customer class; however, examples of other resources available to customers include:

- Money-saving kits that include energy-saving products (e.g., LED nightlights, lightbulbs and window film) and tips on ways to reduce energy costs.
- Online tools that help customers analyze their energy use and identify savings opportunities.
- Videos on installing home weather-stripping, window insulation and more.
- Time-of-Use rates that offer customers lower prices for electricity used during off-peak periods.
- In-person home energy assessments.
- Energy efficiency program incentives and technical assistance.
- Energy efficiency services for business customers, including energy assessments, sub metering, technical audits and energy teams.
- Energy efficiency training.
- Energy conservation newsletters.

Leveraging technology

Our companies use technology in a variety of ways to enhance the customer experience, make it easier for customers to manage their energy services and reduce company costs. Examples include:

- Expanding web and mobile capabilities to help customers easily access company and account information, report outages, understand their energy use and take advantage of self-service options.
- Automating inbound and outbound call and email management to reduce response times and efficiently route work.
- Employing voice response technology to route calls efficiently and provide customers with self-service options.
- Investing in automated field equipment and feeder automation to help reduce outage restoration time and minimize customer impacts.
- Taking advantage of business process automation tools to streamline work and manage bill quality.
- Applying data analytics to improve business processes, increase efficiency and reduce costs.

Engaging with customers and communities

As our companies make progress on our infrastructure projects, we seek to build strong, collaborative relationships with our stakeholders. Our External Affairs and Corporate Communications teams keep our customers and communities informed about the work we are doing and the investments we have planned. In the early stages of our major projects, we typically contact affected individuals, businesses and local officials through face-to-face visits and phone calls, welcoming questions and feedback. This dialogue informs our subsequent communications and project strategies.

Assistance for our business customers

Business customers depend on safe, reliable energy to keep their businesses running. While specific programs and services may vary across WEC Energy Group companies, one thing that holds true for all is a commitment to working closely with business customers to meet their unique needs.

The largest customers are served by account managers who work proactively as the primary point of contact to help manage their customers' energy-related needs. Annually, the account management staff works collaboratively with key customers to develop joint plans that outline energy-related goals, expectations and initiatives. In addition, they may:

- Provide rate and usage analyses and assist with transitions to new rates.
- Coordinate service installations and upgrades.
- Introduce emerging technologies and processes.
- Facilitate solutions related to energy efficiency and optimization, as well as sustainability.
- Provide carbon footprint analyses.
- Facilitate and/or participate in energy site assessments and customer energy management teams.
- Provide assistance with business expansions and serve as liaison with local economic development agencies .

Other business customers are served through our companies' customer care centers, where they can receive assistance with billing and credit questions, access services targeted to business customers and receive recommendations on energy efficiency.

Additional services available to business customers vary by company. Some examples include:

Outage alerts

Alerts provide business customers with proactive, real-time communication about electric outages. Where available, customers can select their preferred communication channel(s) to receive status updates and other outage information.

Online tools

Online tools make it possible for business customers to analyze and manage their energy use. Where available, customers can:

- Receive monthly alerts of energy usage changes.
- Access historical use and cost data, and forecast forward-looking energy budgets.
- Identify usage trends and patterns, and estimate cost impact of shifting electric demand and energy use.
- Access an online library of energy-related topics to increase the energy efficiency of their operations.

Energy consultations and incentives

Energy consultations and incentives are available for some business customers to help them reduce energy use, shrink their carbon footprint and make their workplaces more comfortable.



Events just for business customers

Energy Forum, hosted by We Energies and WPS, is an opportunity for our large commercial and industrial customers to hear from senior management and subject matter experts about topics that may impact their businesses' energy use. The forum encourages customer feedback and open discussion. In 2017, meetings in De Pere, Wausau and Mequon, Wisconsin, helped customers learn about rates, energy industry trends and highlights, and ways to save energy and money.

The **Blue Flame Natural Gas Fall Conservation Conference** informs Minnesota commercial and industrial customers of the latest changes in the natural gas industry and ways to manage their energy costs more efficiently and effectively. Minnesota Energy Resources is a co-sponsor of this event and helps attendees learn about market projections, new technologies and techniques for improving energy efficiency.



2017 customer satisfaction survey highlights

Wisconsin Public Service was ranked first in the Midwest among midsize utilities in overall customer satisfaction in a national study of electric business customers.

WEC Energy Group maintained an overall satisfaction level above 90 percent in a national survey of large electric utility customers conducted by TQS Research.

- ✓ WEC Energy Group was ranked second in the Midwest and fifth in the nation in overall customer satisfaction.
- ✓ Customers ranked WEC Energy Group first in overall image.

2017 customer satisfaction results

External customer satisfaction measures

Our companies continue to strive for positive results in national customer satisfaction studies conducted by external organizations such as J.D. Power & Associates and the American Customer Satisfaction Index. These studies provide a broad perspective because they typically include the general customer population, not just those who have had a recent transaction with their energy company. Study results are reviewed each time they are published to help benchmark our performance and guide the development of strategies and tactics to improve customer satisfaction and enable customer retention and expansion.

J.D. Power & Associates Studies Regional Quartile Ranking

Company	Business Studies		Residential Studies	
	Electric	Natural Gas	Electric	Natural Gas
Michigan Gas Utilities				3
Minnesota Energy Resources				2
North Shore Gas				4
Peoples Gas		2		4
We Energies	2	4	2	4
Wisconsin Public Service	1	4	2	3

Internal customer satisfaction measures

Our surveys measure customer satisfaction with both their utility overall and the specific transaction. Scores below represent the percentage of customers rating their satisfaction an 8, 9 or 10 on a 10-point scale.

2017 Annual Satisfaction Results

Company	Satisfaction with:	
	Utility	Transaction
Michigan Gas Utilities	79.6%	82.2%
Minnesota Energy Resources	79.4%	81.3%
North Shore Gas	68.4%	72.0%
Peoples Gas	65.4%	70.6%
We Energies	80.5%	82.7%
Wisconsin Public Service	81.7%	83.3%

For the purpose of external and internal customer satisfaction measures, Upper Michigan Energy Resources Corp. customers are associated with their previous service providers, We Energies and WPS.

Customer-focused events

Our energy companies are part of the fabric of the communities they serve.

WPS Garden of Lights

The Green Bay Botanical Garden, transformed into a winter landscape featuring botanical light displays, attracted nearly 65,000 visitors. WPS sponsors this event, in part through the NatureWise® renewable energy program.

We Energies Cookie Book

The first Cookie Book was published in 1928, when company home economists initiated the practice as a goodwill gesture. Free copies of the books are available at distribution events throughout the company's service area. More than 200,000 copies were distributed to customers in 2017.

WPS Farm Show

The three-day event includes more than 500 exhibitors; seminars on farm management, including energy use; and an auction to benefit the Wisconsin FFA Foundation. This free event attracted approximately 20,000 people in 2017.

Energy Park at Wisconsin State Fair

Each August, We Energies employees connect with customers in the company's permanent exhibit on the fairgrounds. Energy Park features energy-related performances, exhibits and demonstrations. More than 100,000 fairgoers visited Energy Park over a period of 11 days.

Blue Flame Lodge at Minnesota State Fair

Minnesota Energy Resources sponsors the lodge as an opportunity to educate the public on the benefits and savings of using natural gas and new natural gas technologies.

Resource fairs

Peoples Gas and North Shore Gas, along with the Community and Economic Development Association (CEDA) and Community Action Partnership of Lake County (CAP), provided residents with four area opportunities to receive information on energy assistance and other resources.

Ida Festival of Lights

More than 52,000 visitors attended the December festival, with ice sculpting sponsored by Michigan Gas Utilities.



Demand-side management and energy efficiency programs

Many customers want to take an active part in managing their energy use, and our energy companies provide them with the tools and programs to achieve that goal.

Our electric energy companies offer a variety of time-of-use options through which customers can reduce their monthly bills by shifting some of their energy use to off-peak hours, the times of day and night when energy demand and rates are lower. While these programs benefit residential customers, they also are attractive to small-business customers who have the flexibility to avoid energy use during critical peak periods.

Wisconsin Public Service (WPS) customers enrolled in the Cool Credits program receive a credit on their electricity bills for allowing their air conditioning and/or electric water heater to be shut down for short periods. At times of high energy demand, usually during hot summer days, the air conditioner and/or water heater can be shut off or cycled on and off automatically by WPS to manage demand on the system. This action does not interfere with the rest of the customer's electrical appliances.

Market-based rates

Real-time market pricing and new load market pricing present opportunities for We Energies and WPS general primary rate (commercial and industrial) customers to purchase a portion of their load at market prices. Customers on these rates can manage their energy usage in a market environment of risks and rewards. Using day-ahead prices, customers can strategically plan operations while maximizing the benefit of a market rate.

The parameters of these programs vary by company, and participation is limited.

Energy efficiency

Through a variety of energy efficiency programs, our customers are taking control of their energy usage. In Wisconsin and Michigan, Focus on Energy and Efficiency United, respectively, provide customers with energy-saving rebates and incentives. Additionally, in Wisconsin, our companies make available to business customers energy management services, including assessments, technical monitoring and consultations to help improve energy efficiency in their operations.

Our Illinois energy companies manage the Peoples Gas and North Shore Gas energy efficiency programs. The programs provide customers with free products, incentives, staffing grants and more comprehensive sustainability planning resources. In Minnesota, our customers actively engage in the Minnesota Energy Resources Conservation Improvement Program, taking advantage of energy audits and analysis, new construction design assistance and rebates.

The energy-saving discounts and rebates vary by company and include rebates for furnaces, boilers, insulation or air sealing, and discounts for Energy Star-certified appliances, smart thermostats, LED lighting, smart lighting and custom projects.

Some customers also can participate in online energy audits to determine how they can make their homes more energy-efficient through no-cost or low-cost upgrades. Customers who participate in a full-home energy assessment can see results in energy saving opportunities of 20 percent to more than 50 percent in some cases.

Our energy companies communicate these opportunities via a number of vehicles, including bill messages, newsletters and social media.



These programs make an impact in our communities

Aggregate of all WEC Energy Group utilities*

Participating customers	718,654
First-year kWh savings **	394,323,308
First-year therm savings **	47,317,380
Rebates/incentives earned by customers	\$56,098,160

* Aggregate gross data from We Energies, Wisconsin Public Service, Minnesota Energy Resources, Michigan Gas Utilities, Peoples Gas, North Shore Gas and Upper Michigan Energy Resources Corp.

** "First-year" refers to the first, full-year savings achieved by the customer.

Note: Not all programs run on the same calendar year.

Public safety

Our companies build and operate their networks of power lines and facilities with the safety of their employees and the public as their top priority.

We have developed and implemented an integrity management program for natural gas transmission mains in accordance with local, state and federal regulations. We complete risk analysis annually and identify high-consequence areas. We perform physical assessment of transmission mains along with remediation as necessary.

Likewise, we monitor electric distribution lines for integrity through routine patrols, and a dedicated tree-trimming plan maintains adequate clearance around electric distribution wires and poles. Electric distribution infrastructure upgrades replace aging equipment according to a plan that supports system safety and reliability.

Education and outreach

Our companies proactively share energy and safety information with a variety of audiences, including students, teachers, families, contractors and first responders.

Education programs for schoolchildren include classroom materials such as brochures, posters and other teacher workshop materials provided free to educators upon request.

For example, Wisconsin Public Service (WPS) offers the award-winning Path-to-Ground Electric Safety and Natural Gas Safety modules for middle school students. WPS also collaborates with the Einstein Expo in Green Bay, Wisconsin, to feature electric and natural gas safety at this annual family event. The company also partners with various agencies to promote Dam Safety Awareness Week in spring.



During the 11-day run of the annual Wisconsin State Fair, We Energies features electric and natural gas safety education for adults and children through a venue called Energy Park.

Contractors – those engaged in construction – are a key audience. Annually, our companies reach out to this audience to provide needed instruction on working safely around energy facilities.

First responders – public safety agencies, police and fire departments, rescue services, emergency government representatives and public officials – are another key audience. They need to know how to reach our companies and work safely with them during emergencies.

For example, Michigan Gas Utilities partners with other Michigan pipeline operators to review and train firefighters, police, emergency medical personnel and contractors on proper procedures for identifying and working near natural gas lines.

The Wisconsin Public Service Foundation funds a grant for local emergency response organizations through which dollars are used for equipment, projects or professional development as part of a public safety initiative.

By state law, customers and contractors must use a one-call system to have underground facilities marked before they dig. This protects their safety as well as the integrity of energy distribution systems. We communicate the importance of safe digging through a variety of channels, including social media campaigns, customer newsletters, and presentations to contractors and first responders.

Agriculture services and safety

We Energies and WPS have well-established agriculture services programs. Employees work closely with farm customers on issues of wiring safety, efficiency and reliability. Livestock confinement facilities often receive additional attention because of the possibility of stray voltage from farm and/or company sources.

Stray voltage is a term used to describe low-level voltages found on metal surfaces with which livestock may come into contact. Trained technicians perform cost-free stray voltage investigations and have helped hundreds of agricultural customers identify farm wiring deficiencies and reduce stray voltage sources. This effort has resulted in safer and more efficient farm wiring.

Additionally, We Energies and WPS representatives participate on the Midwest Rural Energy Council. We Energies also participates in the Wisconsin Utilities Association Stray Voltage and Electrical Exposure Committee and the University of Wisconsin Stray Voltage Investigator Training Series.



Supplier information

WEC Energy Group is committed to developing a supply base to meet current and future business requirements. We forge relationships with high-quality suppliers that can deliver added value to our operations and our customers.

We evaluate suppliers on environmental, safety, legal, ethical and financial factors. The supplier selection decision is based upon quality, safety, environmental compliance, diversity and ability to deliver on the work requirement and schedule. The driving decision factor on most equipment and material purchases is the total cost of ownership.

Geographic location is a factor when determining freight charges or logistics. We have no formal policy to prefer locally based suppliers, but traditionally, there are economic advantages to procure goods and services within the Midwest, concentrating in Wisconsin, Illinois, Michigan and Minnesota.

Investment and procurement practices

As equal opportunity employers, WEC Energy Group and its subsidiaries comply, and require their suppliers to comply, with all federal, state and local employment laws, rules and regulations. Our Supply Chain department has implemented steps to ensure our companies do business with qualified suppliers that share our philosophies.

Compliance certificate – Suppliers and contractors hired by our companies must sign a nondiscrimination compliance certificate.

Workforce diversity – We expect suppliers to share our belief in the hiring of a diverse workforce.

Environmental management requirements – Suppliers must meet specific baseline environmental performance requirements and seek continual improvement in a manner that decreases potential impact to the environment and business risk to our companies and suppliers.

Safety – We require suppliers to fully understand our safety requirements and procedures, and to use all necessary devices, safeguards and practices in the performance of work to properly protect the safety and health of their own employees, employees of our companies, and of other contractors and members of the public who may be exposed to the work.

Fitness for duty – We require suppliers to adhere to our fitness-for-duty policies and to participate in a fitness-for-duty program as applicable.

Information security – During each step of the sourcing process, we secure bid information and communication with suppliers through internal policies as well as the configuration of e-sourcing tools. Access to all sourcing information is limited to authorized users on a need-to-know basis.

Procurement policies – Procurement policies ensure an ethical approach to the sourcing process and selection of suppliers and contractors. These policies are designed so that all departments work with Supply Chain to bid work fairly. Supply Chain ensures that the bid list is fair, inclusive of minority- and women-owned business enterprise suppliers, and in alignment with the bid process rules.

Supplier diversity – Supply Chain supports supplier diversity by actively developing suppliers, including training on bidding process and technologies, and facilitating meetings between the end user and diverse suppliers.

Supplier risk assessment – Where applicable, Supply Chain assesses suppliers based on environmental, safety, financial, ethical and legal factors prior to and during their contractual relationship with our companies.

Supplier performance expectations

Supply Chain uses the contracting process to make suppliers aware of our performance expectations. We provide the general supply base with information through the request for proposal process and expect our suppliers to emulate our culture of excellence within the services they provide to us. Suppliers must adhere to, measure and report results for each of our performance expectations. These expectations fall within five areas: safety, innovation, cost reduction, supplier and workforce diversity, and customer satisfaction.

Safety – In alignment with our safety goals, suppliers promote a safe work environment at all times:

- Strive for zero injuries to all employees.
- Watch for unsafe conditions and take immediate action to correct them.
- Ensure safety guidelines and procedures are current, and all staff is trained.

Innovation – Suppliers are expected to look for ways to enhance service and reduce costs:

- Identify innovative ideas through the use of technology, engineering and process enhancements.
- Mitigate risk by finding ways to ensure business continuity for the company.
- Use industry events and connections to seek out best practices among peers.

Cost reduction – Suppliers are required to strive for cost reduction, and ensure timely and accurate reporting of these reductions:

- Report cost-reduction actions to an executive steering committee.
- Use industry expertise to leverage their businesses and pass on cost advantages to our companies.
- Track cost avoidance when processes or new purchases are made unnecessary through other means.



Supplier and workforce diversity – Suppliers must understand our goals for supplier diversity and adhere to contractual requirements regarding diverse businesses:

- Make a best effort to have the workforce reflect the makeup of the local community.
- Attend symposiums to support ongoing relationships with internal company customers.
- Ensure a specific percentage of direct diverse spend when contractually required to do so.
- Report second-tier spend to the office of supplier diversity.

Customer satisfaction – Suppliers must demonstrate appropriate conduct:

- Key contractors must continue to meet increasing customer expectations for high-level, immediate emergency response services.
- Key suppliers are required to track customer satisfaction metrics.
- Suppliers must adhere to guidelines on interactions with company customers.



In 2017, Peoples Gas and North Shore Gas opened one of the largest natural gas training centers in the nation in Chicago's Little Village neighborhood. To do so, the companies sought opportunities to work with diverse businesses, including Ujamaa Construction Inc.

Ujamaa Construction, a certified minority-owned business based in Chicago, was first introduced to Peoples Gas in 2015. Ujamaa attended a pre-proposal conference, responded to a request for proposal, and later received a contract for the largest single, stand-alone facility constructed for Peoples Gas.

As a result of the successful completion of the Peoples Energy Training Center, which attained 93 percent M/W/SD/V participation, Ujamaa has been solicited by other utility companies and clients with large projects to pursue additional opportunities. Ujamaa also received the Construction Industry Service Corp. (CISCO) Top Choice for New Construction – Chicago or Suburbs Award for this project.

Supplier diversity

Promoting diverse suppliers fosters competition, enhances job creation and generates additional purchasing power in the communities in which WEC Energy Group and its subsidiaries do business.

Supplier Diversity Initiative

Our Supplier Diversity Initiative (SDI) is designed to increase access, procurement opportunities and use of minority-, women-, service-disabled- and veteran-owned businesses (M/W/SD/Vs) through the purchase of products and services, including professional and technical consulting. The Supplier Diversity Initiative provides support and assistance to company business units, departments and Supply Chain to ensure implementation throughout the organization. It also helps to develop and maintain proactive relationships with various minority- and women-owned business advocacy organizations, elected officials, community and civic leaders, and other business leaders.

Corporate supplier diversity policy statement

We are committed to building meaningful business opportunities for certified M/W/SD/Vs.

We encourage and promote the development, utilization and growth of M/W/SD/Vs that want to provide quality products and services. Our SDI strategies include:

- Securing the commitment of every employee who is responsible, directly or indirectly, for the purchase of products and services to encourage the meaningful participation of M/W/SD/V business enterprises.
- Establishing reasonably attainable goals consistent with our policies and practices.
- Creating quality procedures and practices for all to achieve and record supplier diversity activities.
- Developing innovative and effective means to permit the participation of M/W/SD/V business enterprises.
- Cultivating relationships through the effective exchange of information to capture the benefits of quality products and services at competitive prices.

Administration and implementation of this policy are the responsibility of all of our organizations and business units, with SDI support. Overall company coordination is the responsibility of a dedicated vice president of supplier diversity.

\$260.5 million
spent in 2017 with SDI-qualified businesses

Supporting our communities

Our companies provide financial support for nonprofit, tax-exempt organizations in the communities we serve. Our focus areas are arts and culture, community and neighborhood development, education, environment, economic health, and human services and health.

Company employees also take an active role in their communities, serving on nonprofit boards and volunteering their time.

Workplace giving campaigns in our subsidiary companies also support the arts and numerous United Way organizations where we operate.

Funding through foundations, operations

We Energies and Wisconsin Public Service (WPS) each operate foundations. The Wisconsin Public Service Foundation supports WPS, Minnesota Energy Resources and Michigan Gas Utilities. Peoples Gas and North Shore Gas have a corporate contributions program that supports nonprofits in the same manner.

The goals of charitable outreach are to:

- Pursue a sustained, consistent approach to funding within the focus areas, better enabling the organizations to achieve lasting results.
- Foster mutually beneficial relationships between our subsidiaries and community organizations.
- Fully leverage company resources.

\$17 million

donated by our companies and foundations to nonprofit organizations in 2017



Helping U.S. military veterans has been a focus of the We Energies Foundation since 2008 when it sponsored the inaugural Wisconsin Stars and Stripes Honor Flight of 70 veterans. Since that time, the foundation has supported this veterans' organization through multiple activities. In 2017, it sponsored a May 21 Honor Flight, transporting World War II, Korean War and other veterans to Washington, D.C., to visit their memorials.

GIVING AREAS



42%
Education



16%
Arts



13%
Health and human services



10%
United Way



9%
Community and neighborhood development



7%
Economic health



3%
Environment



2017 SUPPORT EXAMPLES

Advancing education – The We Energies Foundation donated \$60,000 to Partners Advancing Values in Education (PAVE), a nonprofit organization that supports excellent academic results in Milwaukee schools. PAVE strengthens the education system by training and mentoring school leaders, connecting schools to the wider community, and providing targeted investments to help schools serve more students.

Aiding in disaster relief – When floods struck the Burlington, Wisconsin, area in July 2017, We Energies sent employees to two multi-agency resource center events to answer customers’ questions about service restoration and financial assistance. The We Energies Foundation donated \$10,000 to the local American Red Cross chapter to support those displaced by the flooding.

Helping Scouts – We Energies and WPS hosted, respectively, their 64th and 65th annual Boy Scout Electricity Merit Badge Clinics. Nearly 200 Scouts attended the clinics in Milwaukee, Green Bay, Plover and Wausau, Wisconsin, completing 11 requirements, from building electromagnets to wiring a basic circuit, to earn their electricity merit badges. Approximately 60 employees volunteered their time to help the Scouts.

Powering local schools – For 21 years, the WPS Community Foundation has sponsored SolarWise for Schools®, an award-winning renewable energy education program. SolarWise provides solar energy systems, renewable energy curricula and teacher training at no charge to local high schools. Students from participating schools also are invited to the Solar Olympics, an annual one-day competition sponsored by WPS that inspires hands-on, collaborative learning about energy.

Supporting first responders – In 2017, the WPS Foundation awarded more than \$67,000 in safety grants to first responders in the service areas of WPS, Minnesota Energy Resources and Michigan Gas Utilities. Funding is used to purchase equipment and provide professional development for public safety initiatives.

Participating in Arbor Day – Minnesota Energy Resources partners with Rochester Public Utilities and other community organizations to promote Arbor Day with the schools in Rochester. Backpacks, provided by Minnesota Energy Resources, are distributed during the event.

Bringing communities together – Michigan Gas Utilities made contributions to community development projects in Bronson and Covert Township, Michigan. The Bronson donation supported the renovation of the local Memorial Park. The Covert Township donation helped fund the development of Bicentennial Park and Trailhead, which will feature environmentally responsible and accessible landscaping.

Lending a hand to city neighborhoods – More than 170 volunteers came together in April 2017 to help repair a center on Chicago’s West Side that provides vital social and health care services. Peoples Gas employees and their families and friends completed projects that included landscaping, painting, cleaning and carpentry. The refurbishments to the Habilitative Services facility were the focus of the 20th annual Peoples Gas Commitment to Community Day.

Celebrating student achievement – Peoples Gas is a longtime sponsor of Chicago Public Schools’ annual Exhibition of Student STEM Research, which offers students a chance to demonstrate their achievements in science, technology, engineering and math. Throughout the year, Peoples Gas engineers serve as advisers to 16 middle school science clubs, and both current and retired employees help judge the competition.

Rehabbing homes for veterans – In September, North Shore Gas held its second annual Home and Honor volunteer day. More than two dozen volunteers helped refurbish two townhomes for the Community Action Partnership of Lake County’s Veterans Housing @Hervey program, which provides housing for homeless and near-homeless veterans. The improvements included painting, installing appliances, cleaning and landscaping.

Political activities

WEC Energy Group (WEC) advocates on behalf of its customers, stockholders and employees for safe, reliable and affordable energy before local, state and federal elected officials and government agencies. We maintain governmental and regulatory relations offices in Chicago, Illinois; Rosemount, Minnesota; Madison, Green Bay and Milwaukee, Wisconsin; and Washington, D.C. We also hire contract lobbyists and work with trade organizations to assist in advocacy activities. Our lobbyists are lawfully registered in each jurisdiction where they perform services for us.

We have multiple political action committees (PACs). Our PACs are registered with their regulating governments (state or federal) and authorized by elections laws to collect voluntary contributions from employees who choose to participate. The money, in turn, is used to support candidates running for federal, state and local offices.

Contribution amounts are limited by law. All of our PACs are administered by a committee that combines appointed and elected members. Oversight committees make decisions on how and where dollars are spent.

We have a corporate policy on political contributions and reporting, and periodically conduct training on compliance with lobbying laws.

Corporate political donations

Our Political Contributions Policy governs contributions to organizations operating under Section 527 of the Internal Revenue Code and organizations that qualify as national political committees.

Political action disbursements

Organization	2017	2016	2015	2014	2013
WEC Political Action Committee (WEPAC – a federal PAC)	\$ 49,500	\$ 44,500	\$ 27,500	\$ 28,000	\$ 28,750
WEC PAC Better Government Committee (BGC – a state PAC)	44,300	63,850	30,500	45,100	26,000
WEC PAC Personal Contribution Account (PCA Conduit – a state PAC)	24,978	38,316	35,037	64,998	19,189
Michigan Political Action Committee (MIPAC – a state PAC)	-	13,200	-	18,000	3,275
Peoples Gas Political Action Committee (Peoples Gas PAC – a state PAC)	408,200*	123,600**	44,500	47,150	57,989
Total	\$ 526,978	\$ 283,466	\$ 137,537	\$ 203,248	\$ 135,203

* This value includes only corporate funds disbursements, which is allowed under Illinois law.

** This value includes both Peoples Gas PAC and corporate funds disbursements, which is allowed under Illinois law.

For an up-to-date list of WEC PAC Wisconsin contributions, search for "WEC Energy Group PAC" at: <http://cfis.wi.gov/Public/Registration.aspx?page=FiledReports>.

For an up-to-date list of WEC conduits, search for "WEC Energy Group PCA" at: <http://cfis.wi.gov/Public/Registration.aspx?page=ViewConduitContributions>.

For an up-to-date list of WEC PAC federal contributions, search for "WEC Energy Group" at: www.fec.gov/finance/disclosure/norcomsea.shtml.

Corporate contributions to Wisconsin state party legislative committees

	2017
Committee to Elect a Republican Senate	\$ 12,000
Republican Assembly Campaign Committee (RACC)	12,000
Assembly Democratic Campaign Committee	6,000
State Senate Democratic Committee	6,000

WEC lobbying activities and expenditures

State and federal lobbying	2017	2016	2015	2014*	2013*
Hours	3,028	3,308	3,122	2,142	2,510
Expenditures	\$ 1,198,973	\$ 1,185,121	\$ 1,548,054	\$ 885,023	\$ 1,041,311

* Years 2013 and 2014 include Wisconsin, Michigan and federal lobbying amounts for Wisconsin Energy Corp. alone.

WEC Energy Group files federal quarterly lobbying reports and semiannual contribution reports with the clerk of the U.S. House of Representatives and the secretary of the U.S. Senate. These reports are located at: house.gov and senate.gov.

Reports for WEC Energy Group's political lobbying activities at the state level are available from the Wisconsin Ethics Commission (<https://lobbying.wi.gov/>), Michigan Department of State (<http://www.michigan.gov/sos/>), Office of the Illinois Secretary of State (<http://www.ilsos.gov/lobbyistsearch/>) and Minnesota Campaign Finance and Public Disclosure Board (<https://cfb.mn.gov/>).

Trade organization memberships

Organization	Membership dues	Portion of dues used by
	Jan. 1, 2017, through Dec. 31, 2017	organization for political purposes
American Gas Association	\$ 858,331	\$ 54,933
American Gas Association – Gas Distributors Exchange	2,400	2,400
Edison Electric Institute	1,178,176	163,902
Illinois Energy Association	35,000	12,250
Illinois Manufacturers' Association	12,500	1,875
Metropolitan Milwaukee Association of Commerce	176,188	3,524
Michigan Electric & Gas Association	24,370	de minimus
Michigan Manufacturers Association	4,930	4,930
Wisconsin Manufacturers and Commerce	48,732	9,746
Wisconsin Utilities Association	223,306	33,496
Wisconsin Utility Investors	111,458	5,573

WEC Energy Group belongs to trade organizations that engage in political activities. Such organizations are required to report the portion of company dues used for political purposes.

Public policy positions

✔ Support
 ✘ Oppose
 ➔ Concerns/working to improve
 ◆ Monitor/no legislative action taken to date
 ⊖ Other

Bill Reference (Federal)	Position
Tax Cuts and Jobs Act – H.R. 1 Reduced the corporate income tax rate to 21 percent; maintained the federal income tax deductions for interest expense for regulated electric and natural gas companies and the federal income tax deduction for state and local taxes; and kept dividend tax rates low and on par with capital gains. Approved by Congress, signed by the president, and became Public Law 115-97 on Dec. 22, 2017.	✔
Cyber Security Information Sharing – multiple bills Proposes a model for sharing cyber threat information between the federal government and private industry.	✔
Hydropower Policy Modernization Act of 2017 – H.R. 3043 Seeks to modernize the regulatory permitting process and encourage the expansion of hydropower generation by improving administrative efficiency, accountability and transparency; promotes new hydropower infrastructure; requires balanced and timely decision-making; and reduces duplicative oversight.	✔
Low Income Home Energy Assistance Program Funding – multiple bills Maintains appropriate funding level for the Low Income Home Energy Assistance Program.	✔
Rail Shipper Fairness Act – S.1233 Seeks to improve the efficiency and reliability of rail transportation by reforming the Surface Transportation Board.	✔
Energy & Natural Resources Act – S. 1460 Addresses a range of energy issues including energy infrastructure concerns: cybersecurity threats, pipeline permitting, and requirements for enhanced grid storage and security as well as system reliability.	➔

Legislative Bills/Resolutions (Wisconsin)	Position
August 2017 Special Session Assembly Bill 1 Relates to authorizing the creation of an electronics and information technology manufacturing zone, making changes to the enterprise zone tax credit program, authorizing limited use of the design-build construction process, granting contingent highway bonding authority, and making appropriations.	✔
Assembly Bill 42 Relates to various changes regarding administrative rules and rule-making procedures and making an appropriation.	⊖
Assembly Bill 63 Relates to exempting utility activities in a highway right-of-way from wetland permitting requirements.	⊖

Legislative Bills/Resolutions (Wisconsin) *continued*

Position

Assembly Bill 198 Relates to Public Service Commission of Wisconsin (PSCW) authority over leased generation contracts.	✗
Assembly Bill 261 Relates to the Milwaukee County high-wide route.	✓
Senate Bill 115 Relates to PSCW authority over leased generation contracts.	✗
Senate Bill 186 Relates to the Milwaukee County high-wide route.	✓
Senate Bill 295 Relates to the expiration of administrative rules.	✗
Senate Bill 406 Relates to mitigation requirements applicable to wetland individual permits.	✓
Senate Bill 425 Relates to limiting the authority of the state and political subdivisions to regulate certain wireless facilities and authorizing political subdivisions to impose setback requirements for certain mobile service support structures.	✓
Senate Bill 475 Relates to one-call system enforcement and other requirements, PSCW authority regarding state energy policy, settlements between parties in PSCW dockets, various public utility regulatory requirements, the regulation of utility facilities under a county construction site erosion control and storm water management zoning ordinance, granting rule-making authority, and providing a penalty.	✓
Senate Bill 639 Relates to the authority of political subdivisions to regulate rental properties and historic properties and of municipalities to inspect dwellings, public utility service to rental dwelling units, landlord and tenant regulations, fees imposed by a political subdivision, certain levy limit reductions, certain procedural changes in eviction actions, information available on the consolidated court automated internet site, discrimination in housing against individuals who keep certain animals, falsely claiming an animal to be a service animal, municipal administrative procedure, enforcement of the rental unit energy efficiency program, and providing penalties.	⊖

Legislative Bills/Resolutions (Illinois)

Position

House Bill 162 Extends the Economic Development for a Growing Economy Tax Credit for five years.	✓
House Bill 1811 An initiative of AT&T; modernizes telecommunications infrastructure. WEC Energy Group worked with AT&T to address any potential impact that the legislation would have on the company.	◆
House Bill 2952 Requires the Illinois Commerce Commission to change its rules regarding cost recovery for natural gas main extensions.	✗
House Bill 3038 Places limits on electric utilities' recovery of past due charges from customers under a purchase of receivables arrangement with alternative retail energy suppliers.	◆
House Bill 3634 Makes changes to the Illinois Underground Utility Facilities Damage Prevention Act, which sets standards for excavation near underground utility facilities.	◆
House Bill 4081 Requires any business that moves all or a portion of its call center operations out of Illinois to notify the Illinois State Treasurer's office within 120 days or face up to a \$10,000 civil penalty.	◆
Senate Bill 611 Creates the Mahomet Aquifer Protection Task Force to address the issue of maintaining clean drinking water for communities served by the Mahomet Aquifer.	◆
Senate Bill 1383 Makes changes to the Illinois Underground Utility Facilities Damage Prevention Act, which sets standards for excavation near underground utility facilities.	◆

Legislative Bills/Resolutions (Michigan)	Position
Senate Bill 159 Relates to traffic control, traffic regulation, gross vehicle limits and an exemption for certain natural gas vehicles.	◆
Senate Bill 375 Relates to energy, conservation and efficiency, methane digesters and property assessed clean energy financing.	◆
Senate Bill 475 Relates to energy, alternative sources and the renewable portfolio standard.	◆
Senate Bill 476 Relates to energy, alternative sources and the energy optimization standard.	◆
House Bill 4080 Relates to state financing and management and certain forms of energy improvement financing for certain school districts.	◆
House Bill 4482 Relates to public utilities, electric utilities and the condemnation of property for transmission lines.	◆
House Bill 4483 Relates to public utilities, electric utilities and obtaining certificates of public convenience and necessity.	◆
House Bill 4791 Relates to energy, alternative sources and the energy optimization standard.	◆
House Bill 4792 Relates to energy, alternative sources and the renewable portfolio standard.	◆
House Bill 4980 Relates to energy, conservation and efficiency, energy audits and maintenance of energy consumption data by school districts.	◆
House Bill 5009 Relates to energy, conservation and efficiency, and creating a renewable energy and energy efficiency production loan program for school districts.	◆
House Bill 5680 Relates to property tax assessments and the placement of solar panels on residential real property.	◆
House Bill 5692 Relates to public utilities, electric utilities and eliminating a tariff for distributed generation and net metering customers.	◆
House Bill 5693 Relates to public utilities, rates and removing references to a tariff under MCL 460.6a.	◆

WEC Energy Group did not have public policy positions in Minnesota.

Forward-looking statement

In this report, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. These statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934. Readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements may be identified by reference to a future period or periods or by the use of terms such as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "goals," "guidance," "intends," "may," "objectives," "plans," "possible," "potential," "projects," "seeks," "should," "targets," "will" or variations of these terms.

Forward-looking statements include, among other things, statements concerning management's expectations and projections regarding earnings, completion of capital projects, sales and customer growth, rate actions and related filings with regulatory authorities, environmental and other regulations and associated compliance costs, legal proceedings, dividend payout ratios, effective tax rate, pension and other postretirement employee benefits, fuel costs, sources of electric energy supply, coal and natural gas deliveries, remediation costs, liquidity and capital resources, and other matters.

Forward-looking statements are subject to a number of risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in the statements. These risks and uncertainties include those described under "Risk Factors" in our Annual Report on Form 10-K for the year ended Dec. 31, 2017, and those identified below:

- Factors affecting utility operations such as catastrophic weather-related damage, environmental incidents, unplanned facility outages and repairs and maintenance, and electric transmission or natural gas pipeline system constraints.
- Factors affecting the demand for electricity and natural gas, including political developments, unusual weather, changes in economic conditions, customer growth and declines, commodity prices, energy conservation efforts and continued adoption of distributed generation by customers.
- The timing, resolution and impact of rate cases and negotiations, including recovery of deferred and current costs and the ability to earn a reasonable return on investment, and other regulatory decisions impacting our regulated operations.
- The ability to obtain and retain customers, including wholesale customers, due to increased competition in our electric and natural gas markets from retail choice and alternative electric suppliers, and continued industry consolidation.
- The timely completion of capital projects within budgets, as well as the recovery of the related costs through rates.
- The impact of federal, state and local legislative and regulatory changes, including changes in rate-setting policies or procedures, deregulation and restructuring of the electric and/or natural gas utility industries, transmission or distribution system operation, the approval process for new construction, reliability standards, pipeline integrity and safety standards, allocation of energy assistance, and energy efficiency mandates.
- The uncertainty surrounding the recently enacted tax legislation, including implementing regulations and IRS interpretations, the amount to be returned to our ratepayers, and its impact, if any, on our or our subsidiaries' credit ratings.
- Federal and state legislative and regulatory changes relating to the environment, including climate change and other environmental regulations impacting generation facilities and renewable energy standards, the enforcement of these laws and regulations, changes in the interpretation of permit conditions by regulatory agencies, and the recovery of associated remediation and compliance costs.
- Factors affecting the implementation of our generation reshaping plan, including related regulatory decisions; the cost of materials, supplies and labor; and the feasibility of competing projects.
- Increased pressure on us by investors and other stakeholder groups to take more aggressive action to reduce future greenhouse gas emissions to limit future global temperature increases.
- The risks associated with changing commodity prices, particularly natural gas and electricity, and the availability of sources of fossil fuel, natural gas,

purchased power, materials needed to operate environmental controls at our electric generating facilities, or water supply due to high demand, shortages, transportation problems, nonperformance by electric energy or natural gas suppliers under existing power purchase or natural gas supply contracts, or other developments.

- Changes in credit ratings, interest rates and our ability to access the capital markets caused by volatility in the global credit markets, our capitalization structure, and market perceptions of the utility industry, us or any of our subsidiaries.
- Costs and effects of litigation, administrative proceedings, investigations, settlements, claims and inquiries.
- Restrictions imposed by various financing arrangements and regulatory requirements on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances, that could prevent us from paying our common stock dividends, taxes and other expenses, and meeting our debt obligations.
- The risk of financial loss, including increases in bad debt expense, associated with the inability of our customers, counterparties and affiliates to meet their obligations.
- Changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading markets and fuel suppliers and transporters.
- The direct or indirect effect on our business resulting from terrorist attacks and cybersecurity intrusions, as well as the threat of such incidents, including the failure to maintain the security of personally identifiable information; the associated costs to protect our utility assets, technology systems and personal information; and the costs to notify affected persons to mitigate their information security concerns.
- The financial performance of American Transmission Company LLC (ATC) and its corresponding contribution to our earnings, as well as the ability of ATC and Duke-American Transmission Company LLC to obtain the required approvals for their transmission projects.
- The investment performance of our employee benefit plan assets, as well as unanticipated changes in related actuarial assumptions, which could impact future funding requirements.
- Factors affecting the employee workforce, including loss of key personnel, internal restructuring, work stoppages, and collective bargaining agreements and negotiations with union employees.
- Advances in technology that result in competitive disadvantages and create the potential for impairment of existing assets.
- The timing, costs and anticipated benefits associated with the remaining integration efforts relating to the Integrys acquisition.
- The risk associated with the values of goodwill and other intangible assets and their possible impairment.
- Potential business strategies to acquire and dispose of assets or businesses, which cannot be assured to be completed timely or within budgets, and legislative or regulatory restrictions or caps on non-utility acquisitions, investments or projects, including the State of Wisconsin's public utility holding company law.
- The timing and outcome of any audits, disputes and other proceedings related to taxes.
- The ability to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act, while both integrating and continuing to consolidate our enterprise systems.
- The effect of accounting pronouncements issued periodically by standard-setting bodies.
- Other considerations disclosed elsewhere herein and from time to time in reports we file with the Securities and Exchange Commission or in other publicly disseminated written documents.

We expressly disclaim any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



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