

WISCONSIN GAS LLC

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

FINANCIAL STATEMENTS

For the Quarter Ended June 30, 2018

WISCONSIN GAS LLC

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
<i>(in millions)</i>				
Operating revenues	\$ 113.6	\$ 99.7	\$ 364.2	\$ 344.1
Operating expenses				
Cost of natural gas sold	55.7	46.9	197.7	181.0
Other operation and maintenance	27.4	24.1	55.3	53.4
Depreciation and amortization	12.8	12.1	25.5	24.0
Property and revenue taxes	1.7	1.5	3.4	3.0
Total operating expenses	97.6	84.6	281.9	261.4
Operating income	16.0	15.1	82.3	82.7
Other income, net	0.6	1.8	0.5	3.2
Interest expense	6.0	5.3	12.1	10.7
Other expense	(5.4)	(3.5)	(11.6)	(7.5)
Income before income taxes	10.6	11.6	70.7	75.2
Income tax expense	2.8	4.7	18.9	30.3
Net income	\$ 7.8	\$ 6.9	\$ 51.8	\$ 44.9

WISCONSIN GAS LLC

CONDENSED BALANCE SHEETS (Unaudited)		
<i>(in millions)</i>	June 30	December 31
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 13.8	\$ 1.8
Accounts receivable and unbilled revenues, net of reserves of \$21.2 and \$18.4	68.7	132.6
Accounts receivable from related parties	47.1	0.8
Materials, supplies, and inventory:		
Natural gas in storage	32.7	45.2
Materials and supplies	6.2	4.9
Prepayments	7.5	8.5
Other	0.9	2.5
Current assets	176.9	196.3
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of \$734.0 and \$722.1	1,612.9	1,550.8
Regulatory assets	195.1	206.1
Pension and other postretirement employee benefits assets	176.5	162.3
Goodwill	95.9	95.9
Other	21.4	18.7
Long-term assets	2,101.8	2,033.8
Total assets	\$ 2,278.7	\$ 2,230.1
Liabilities and Member's Equity		
Current liabilities		
Short-term debt	\$ 113.9	\$ 205.9
Accounts payable	27.8	41.4
Accounts payable to related parties	65.4	6.3
Accrued taxes	20.7	11.9
Amounts refundable to customers	27.4	16.4
Other	17.2	25.7
Current liabilities	272.4	307.6
Long-term liabilities		
Long-term debt	486.2	486.0
Regulatory liabilities	395.6	383.0
Deferred income taxes	196.7	192.6
Environmental remediation liabilities	41.2	41.2
Other	30.6	27.5
Long-term liabilities	1,150.3	1,130.3
Commitments and contingencies		
Member's equity		
	856.0	792.2
Total liabilities and member's equity	\$ 2,278.7	\$ 2,230.1

WISCONSIN GAS LLC

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)		Six Months Ended	
		June 30	
<i>(in millions)</i>		2018	2017
Operating activities			
Net income	\$	51.8	\$ 44.9
Reconciliation to cash provided by operating activities			
Depreciation and amortization		25.5	24.0
Deferred income taxes and investment tax credits, net		3.3	24.1
Contributions and payments related to pension and OPEB plans		(2.0)	(1.4)
Change in -			
Accounts receivable and unbilled revenues		17.6	59.7
Materials, supplies, and inventories		11.2	6.4
Prepaid taxes		(0.2)	4.8
Other current assets		2.6	(0.7)
Accounts payable		36.2	(8.7)
Accrued taxes		8.8	8.0
Amounts refundable to customers		11.4	5.8
Other current liabilities		(7.9)	(7.3)
Other, net		9.6	(11.3)
Net cash provided by operating activities		167.9	148.3
Investing activities			
Capital expenditures		(68.0)	(67.9)
Payments for assets transferred from WEC Business Services LLC		(7.4)	—
Other, net		(0.5)	(1.1)
Net cash used in investing activities		(75.9)	(69.0)
Financing activities			
Change in short-term debt		(92.0)	(68.0)
Equity contributions from parent		27.0	—
Payment of distributions to parent		(15.0)	(15.0)
Net cash used in financing activities		(80.0)	(83.0)
Net change in cash and cash equivalents		12.0	(3.7)
Cash and cash equivalents at beginning of period		1.8	4.4
Net cash and cash equivalents at end of period	\$	13.8	\$ 0.7
Supplemental cash flow information			
Cash (paid) for interest	\$	(12.0)	\$ (10.6)
Cash (paid) received for income taxes, net	\$	(6.7)	\$ 8.6