

THE PEOPLES GAS LIGHT AND COKE COMPANY

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

FINANCIAL STATEMENTS

For the Quarter Ended June 30, 2019

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(in millions)</i>	2019	2018	2019	2018
Operating revenues	\$ 214.2	\$ 233.3	\$ 675.0	\$ 669.2
Operating expenses				
Cost of natural gas	34.5	60.4	209.1	221.0
Other operation and maintenance	95.3	91.3	210.2	191.8
Depreciation and amortization	40.6	37.8	80.8	74.8
Property and revenue taxes	5.1	4.7	10.6	9.1
Total operating expenses	175.5	194.2	510.7	496.7
Operating income	38.7	39.1	164.3	172.5
Other expense, net	0.2	1.5	1.0	2.7
Interest expense	12.5	11.3	26.0	22.8
Other expense	(12.7)	(12.8)	(27.0)	(25.5)
Income before income taxes	26.0	26.3	137.3	147.0
Income tax expense	7.0	7.2	37.0	38.9
Net income	\$ 19.0	\$ 19.1	\$ 100.3	\$ 108.1

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)		June 30	December 31
(in millions, except share amounts)		2019	2018
Assets			
Current assets			
Cash and cash equivalents	\$	1.5	\$ 6.0
Accounts receivable and unbilled revenues, net of reserves of \$72.9 and \$77.3, respectively		252.1	322.9
Receivables from related parties		20.9	23.5
Notes receivable from related parties		3.5	25.6
Materials, supplies, and inventories:			
Natural gas in storage, at LIFO		34.3	73.1
Materials and supplies		24.3	22.5
Amounts recoverable from customers		20.5	31.1
Other		20.5	9.5
Current assets		377.6	514.2
Long-term assets			
Property, plant, and equipment, net of accumulated depreciation of \$1,440.2 and \$1,363.6, respectively		3,891.5	3,773.6
Regulatory assets		834.8	834.2
Other		55.1	54.5
Long-term assets		4,781.4	4,662.3
Total assets	\$	5,159.0	\$ 5,176.5
Liabilities and Shareholder's Equity			
Current liabilities			
Short-term debt	\$	112.0	\$ 195.1
Current portion of long-term debt		75.0	75.0
Accounts payable		168.0	235.3
Payables to related parties		44.0	46.0
Accrued taxes		28.7	53.3
Customer credit balances		28.9	45.3
Other		80.4	77.8
Current liabilities		537.0	727.8
Long-term liabilities			
Long-term debt		1,110.4	1,110.1
Deferred income taxes		469.4	455.2
Regulatory liabilities		513.1	531.5
Environmental remediation liabilities		373.5	373.5
Pension obligations		126.2	122.0
Asset retirement obligations		313.9	307.0
Other		71.1	90.4
Long-term liabilities		2,977.6	2,989.7
Commitments and contingencies			
Shareholder's equity			
Common stock - without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding		611.6	526.5
Retained earnings		1,032.8	932.5
Shareholder's equity		1,644.4	1,459.0
Total liabilities and shareholder's equity	\$	5,159.0	\$ 5,176.5

THE PEOPLES GAS LIGHT AND COKE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Six Months Ended	
		June 30	
<i>(in millions)</i>		2019	2018
Operating activities			
Net income	\$	100.3	\$ 108.1
Reconciliation to cash provided by operating activities			
Depreciation and amortization		80.8	74.8
Deferred income taxes and investment tax credits, net		10.4	(3.8)
Change in –			
Accounts receivable and unbilled revenues		73.4	50.9
Materials, supplies, and inventories		37.0	30.2
Amounts recoverable from customers		30.1	13.6
Other current assets		(13.3)	7.8
Accounts payable		(63.5)	(11.3)
Temporary LIFO liquidation credit		—	11.1
Accrued taxes		(24.6)	(22.9)
Customer credit balances		(16.4)	(14.9)
Other current liabilities		(3.0)	(9.5)
Other, net		(18.5)	(4.3)
Net cash provided by operating activities		192.7	229.8
Investing activities			
Capital expenditures		(220.3)	(204.1)
Short-term notes receivable from related parties, net		22.1	18.6
Payments for assets transferred from WEC Business Services LLC		—	(24.9)
Other, net		(0.3)	0.5
Net cash used in investing activities		(198.5)	(209.9)
Financing activities			
Change in short-term debt		(83.1)	(99.5)
Equity contribution from parent		85.0	72.0
Other, net		(0.6)	—
Net cash used in financing activities		1.3	(27.5)
Net change in cash and cash equivalents		(4.5)	(7.6)
Cash and cash equivalents at beginning of period		6.0	8.6
Cash and cash equivalents at end of period	\$	1.5	\$ 1.0
Supplemental cash flow information			
Cash (paid) for interest	\$	(25.2)	\$ (22.0)
Cash (paid) for income taxes, net		(43.2)	(51.4)