

WEC Energy Group, Inc.

2020 Second Quarter Earnings

Released August 4, 2020

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News

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August 4, 2020

WEC Energy Group reports second-quarter results

MILWAUKEE – WEC Energy Group (NYSE: WEC) today reported net income of \$241.6 million, or 76 cents per share, for the second quarter of 2020 – up from \$235.7 million, or 74 cents per share, for the second quarter last year.

For the first six months of 2020, the company recorded net income of \$694.1 million, or \$2.19 per share – up from \$655.8 million, or \$2.07 per share, in the corresponding period a year ago.

Consolidated revenues totaled \$3.7 billion for the first six months of 2020, down \$310.3 million from revenues for the first half of 2019.

"We delivered solid results despite the significant challenges presented by the COVID-19 pandemic," said Gale Klappa, executive chairman. "Our focus on operating efficiency and warmer-than-normal weather that drove residential energy use higher were major factors in our second-quarter performance," he added. "Our management team is experienced, resilient and focused on executing the fundamentals of our business. I'm confident we will continue to shine through the challenges ahead."

Retail deliveries of electricity – excluding the iron ore mine in Michigan's Upper Peninsula – were down by 2.7 percent in the second quarter of 2020, compared to the second quarter of 2019.

Residential electricity use rose by 17.1 percent.

Given the stay-at-home orders that were in place during much of the reporting period, electricity consumption by small commercial and industrial customers declined by 8.6 percent. Electricity use by large commercial and industrial customers – excluding the iron ore mine – dropped by 12.9 percent during the second quarter of 2020.

On a weather-normal basis, retail deliveries of electricity during the second quarter of this year – excluding the iron ore mine – decreased by 6.9 percent.

At the end of June, the company was serving approximately 11,000 more electric customers and 27,000 more natural gas customers than at the same time a year ago.

The company is reaffirming its earnings guidance for 2020 in the range of \$3.71 to \$3.75 per share with an expectation of reaching the top end of the range. This assumes normal weather for the remainder of the year.

Earnings per share listed in this news release are on a fully diluted basis.

Conference call

A conference call is scheduled for 1 p.m. Central time, Tuesday, Aug. 4. The call will review 2020 second-quarter earnings and the company's outlook for the future.

All interested parties, including stockholders, news media and the general public, are invited to listen. Access the call at 833-968-2232 up to 15 minutes before it begins. The number for international callers is 825-312-2063. The conference ID is 5878364.

Conference call access also is available at wecenergygroup.com. Under 'Webcasts,' select 'Q2 Earnings.' In conjunction with this earnings announcement, WEC Energy Group will post on its website a package of detailed financial information on its second-quarter performance. The materials will be available at 6:30 a.m. Central time, Tuesday, Aug. 4.

Replay

A replay will be available on the website and by phone. Access to the webcast replay will be available on the website about two hours after the call. Access to a phone replay also will be available approximately two hours after the call and remain accessible through Aug. 18, 2020. Domestic callers should dial 800-585-8367. International callers should dial 416-621-4642. The replay conference ID is 5878364.

WEC Energy Group (NYSE: WEC), based in Milwaukee, is one of the nation's premier energy companies, serving 4.5 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. Another major subsidiary, We Power, designs, builds and owns electric generating plants. In addition, WEC Infrastructure LLC owns a growing fleet of renewable generation facilities in the Midwest.

WEC Energy Group (wecenergygroup.com) is a Fortune 500 company and a component of the S&P 500. The company has approximately 45,000 stockholders of record, 7,500 employees and \$35 billion of assets.

Forward-looking statements

Certain statements contained in this press release are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based upon management’s current expectations and are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated in the statements. Readers are cautioned not to place undue reliance on these statements. Forward-looking statements include, among other things, statements concerning management’s expectations and projections regarding earnings and future results. In some cases, forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology such as “anticipates,” “believes,” “estimates,” “expects,” “forecasts,” “guidance,” “intends,” “may,” “objectives,” “plans,” “possible,” “potential,” “projects,” “should,” “targets,” “will” or similar terms or variations of these terms.

Factors that could cause actual results to differ materially from those contemplated in any forward-looking statements include, but are not limited to: general economic conditions, including business and competitive conditions in the company’s service territories; the impact of the COVID-19 pandemic; timing, resolution and impact of rate cases and other regulatory decisions; the company’s ability to continue to successfully integrate the operations of its subsidiaries; availability of the company’s generating facilities and/or distribution systems; unanticipated changes in fuel and purchased power costs; key personnel changes; varying weather conditions; continued industry restructuring and consolidation; continued advances in, and adoption of, new technologies that produce power or reduce power consumption; energy conservation efforts; the company’s ability to successfully acquire and/or dispose of assets and projects; cybersecurity threats and data security breaches; construction risks; equity and bond market fluctuations; changes in the company’s and its subsidiaries’ ability to access the capital markets; the impact of tax reform and any other legislative and regulatory changes, including changes to environmental standards; political developments; current and future litigation and regulatory investigations; changes in accounting standards; the financial performance of American Transmission Co. as well as projects in which the company’s energy infrastructure business invests; the ability of the company to obtain additional generating capacity at competitive prices; goodwill and its possible impairment; and other factors described under the heading “Factors Affecting Results, Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations and under the headings “Cautionary Statement Regarding Forward-Looking Information” and “Risk Factors” contained in the company’s Form 10-K for the year ended Dec. 31, 2019, and in subsequent reports filed with the Securities and Exchange Commission. The company expressly disclaims any obligation to publicly update or revise any forward-looking information.

The global outbreak of COVID-19 is currently impacting countries, communities, supply chains and markets, and has caused many states, including those states in which we operate, to continue to limit some business operations. The extent to which the COVID-19 pandemic may affect us depends on factors beyond our knowledge or control. Therefore, we are currently unable to determine what impact the pandemic may ultimately have on our business plans and operations, liquidity, financial condition, and results of operations, but will continue to monitor COVID-19 developments.

Tables follow

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended		Six Months Ended	
<i>(in millions, except per share amounts)</i>	June 30		June 30	
	2020	2019	2020	2019
Operating revenues	\$ 1,548.7	\$ 1,590.2	\$ 3,657.3	\$ 3,967.6
Operating expenses				
Cost of sales	444.5	491.9	1,179.2	1,501.5
Other operation and maintenance	473.1	503.6	928.8	1,054.2
Depreciation and amortization	242.5	229.9	481.6	456.3
Property and revenue taxes	49.8	50.2	102.3	98.2
Total operating expenses	1,209.9	1,275.6	2,691.9	3,110.2
Operating income	338.8	314.6	965.4	857.4
Equity in earnings of transmission affiliates	52.9	36.9	92.7	73.0
Other income, net	28.6	23.6	34.2	54.5
Interest expense	124.4	124.1	253.8	248.5
Other expense	(42.9)	(63.6)	(126.9)	(121.0)
Income before income taxes	295.9	251.0	838.5	736.4
Income tax expense	53.8	15.2	143.8	80.2
Net income	242.1	235.8	694.7	656.2
Preferred stock dividends of subsidiary	0.3	0.3	0.6	0.6
Net (income) loss attributed to noncontrolling interests	(0.2)	0.2	—	0.2
Net income attributed to common shareholders	\$ 241.6	\$ 235.7	\$ 694.1	\$ 655.8
Earnings per share				
Basic	\$ 0.77	\$ 0.75	\$ 2.20	\$ 2.08
Diluted	\$ 0.76	\$ 0.74	\$ 2.19	\$ 2.07
Weighted average common shares outstanding				
Basic	315.4	315.4	315.4	315.4
Diluted	316.5	316.7	316.6	316.7
Dividends per share of common stock	0.6325	0.5900	1.2650	1.1800

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share and per share amounts)</i>	June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 13.3	\$ 37.5
Accounts receivable and unbilled revenues, net of reserves of \$164.7 and \$140.0, respectively	957.9	1,176.5
Materials, supplies, and inventories	467.7	549.8
Prepayments	210.3	261.8
Other	64.2	68.0
Current assets	1,713.4	2,093.6
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation and amortization of \$9,157.5 and \$8,878.7, respectively	24,171.8	23,620.1
Regulatory assets	3,510.4	3,506.7
Equity investment in transmission affiliates	1,744.7	1,720.8
Goodwill	3,052.8	3,052.8
Other	848.9	957.8
Long-term assets	33,328.6	32,858.2
Total assets	\$ 35,042.0	\$ 34,951.8
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 1,211.5	\$ 830.8
Current portion of long-term debt	895.0	693.2
Accounts payable	696.6	908.1
Accrued payroll and benefits	161.6	199.8
Other	519.9	550.8
Current liabilities	3,484.6	3,182.7
Long-term liabilities		
Long-term debt	10,721.6	11,211.0
Deferred income taxes	3,945.9	3,769.3
Deferred revenue, net	423.7	497.1
Regulatory liabilities	3,968.5	3,992.8
Environmental remediation liabilities	589.4	589.2
Pension and OPEB obligations	322.2	326.2
Other	1,093.4	1,128.9
Long-term liabilities	21,064.7	21,514.5
Commitments and contingencies		
Common shareholders' equity		
Common stock – \$0.01 par value; 325,000,000 shares authorized; 315,434,531 shares outstanding	3.2	3.2
Additional paid in capital	4,165.0	4,186.6
Retained earnings	6,222.8	5,927.7
Accumulated other comprehensive loss	(7.3)	(4.1)
Common shareholders' equity	10,383.7	10,113.4
Preferred stock of subsidiary	30.4	30.4
Noncontrolling interests	78.6	110.8
Total liabilities and equity	\$ 35,042.0	\$ 34,951.8

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Six Months Ended	
	June 30	
<i>(in millions)</i>	2020	2019
Operating activities		
Net income	\$ 694.7	\$ 656.2
Reconciliation to cash provided by operating activities		
Depreciation and amortization	481.6	456.3
Deferred income taxes and investment tax credits, net	143.5	96.1
Contributions and payments related to pension and OPEB plans	(6.6)	(8.3)
Equity income in transmission affiliates, net of distributions	(20.1)	(9.4)
Change in –		
Accounts receivable and unbilled revenues	215.4	267.9
Materials, supplies, and inventories	82.1	87.0
Other current assets	62.5	20.0
Accounts payable	(188.3)	(222.7)
Other current liabilities	(67.2)	(55.1)
Other, net	(18.0)	3.2
Net cash provided by operating activities	1,379.6	1,291.2
Investing activities		
Capital expenditures	(1,037.2)	(855.2)
Acquisition of Upstream Wind Energy LLC, net of cash and restricted cash acquired of \$9.2	—	(268.2)
Capital contributions to transmission affiliates	(9.0)	(21.9)
Proceeds from the sale of assets and businesses	2.1	30.0
Proceeds from the sale of investments held in rabbi trust	17.1	0.1
Reimbursement for ATC's construction costs	—	32.4
Proceeds from cash surrender value of life insurance	8.3	8.8
Other, net	12.5	7.6
Net cash used in investing activities	(1,006.2)	(1,066.4)
Financing activities		
Exercise of stock options	20.3	50.1
Purchase of common stock	(50.3)	(106.3)
Dividends paid on common stock	(399.0)	(372.3)
Issuance of long-term debt	110.0	350.0
Retirement of long-term debt	(418.2)	(17.3)
Issuance of short-term loan	340.0	—
Change in other short-term debt	40.7	(177.4)
Purchase of additional ownership interest in Upstream Wind Energy LLC from noncontrolling interest	(31.0)	—
Other, net	(5.8)	(7.0)
Net cash used in financing activities	(393.3)	(280.2)
Net change in cash, cash equivalents, and restricted cash	(19.9)	(55.4)
Cash, cash equivalents, and restricted cash at beginning of period	82.3	146.1
Cash, cash equivalents, and restricted cash at end of period	\$ 62.4	\$ 90.7

WEC ENERGY GROUP, INC.

INCOME STATEMENT IMPACT OF AMORTIZATION OF UNPROTECTED TAX BENEFITS – 2020 SECOND QUARTER AND YTD

WEC Energy Group – The table below shows the second quarter and YTD 2020 income statement impact related to recognizing certain deferred tax benefits created as a result of the Tax Cuts and Jobs Act of 2017. In accordance with the rate order received from the Public Service Commission of Wisconsin in December 2019, our Wisconsin utilities are amortizing these unprotected deferred tax benefits over periods ranging from two to four years, to reduce near-term rate impacts to their customers. The decrease in income tax expense related to the amortization of the deferred tax benefits is offset by a decrease in revenue as the benefits are returned to customers, resulting in no impact on net income.

<i>(in millions)</i>	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	WEC Energy Group – Reported GAAP Amounts	Impact of Amortization of Unprotected Deferred Tax Benefits	WEC Energy Group (Excluding Unprotected Deferred Tax Benefits)	WEC Energy Group – Reported GAAP Amounts	Impact of Amortization of Unprotected Deferred Tax Benefits	WEC Energy Group (Excluding Unprotected Deferred Tax Benefits)
Operating revenues	\$ 1,548.7	\$ 15.8	\$ 1,564.5	\$ 3,657.3	\$ 39.9	\$ 3,697.2
Operating expenses						
Cost of sales	444.5	—	444.5	1,179.2	—	1,179.2
Other operation and maintenance	473.1	—	473.1	928.8	—	928.8
Depreciation and amortization	242.5	—	242.5	481.6	—	481.6
Property and revenue taxes	49.8	—	49.8	102.3	—	102.3
Total operating expenses	1,209.9	—	1,209.9	2,691.9	—	2,691.9
Operating income	338.8	15.8	354.6	965.4	39.9	1,005.3
Equity in earnings of transmission affiliates	52.9	—	52.9	92.7	—	92.7
Other income, net	28.6	—	28.6	34.2	—	34.2
Interest expense	124.4	—	124.4	253.8	—	253.8
Other expense	(42.9)	—	(42.9)	(126.9)	—	(126.9)
Income before income taxes	295.9	15.8	311.7	838.5	39.9	878.4
Income tax expense	53.8	15.8	69.6	143.8	39.9	183.7
Net income	242.1	—	242.1	694.7	—	694.7
Preferred stock dividends of subsidiary	0.3	—	0.3	0.6	—	0.6
Net income attributed to noncontrolling interests	(0.2)	—	(0.2)	—	—	—
Net income attributed to common shareholders	\$ 241.6	\$ —	\$ 241.6	\$ 694.1	\$ —	\$ 694.1
Effective tax rate	18.2 %		22.3 %	17.1 %		20.9 %

WEC ENERGY GROUP, INC.

INCOME STATEMENT IMPACT OF FLOW THROUGH OF TAX REPAIRS – 2019 SECOND QUARTER AND YTD

WEC Energy Group – The table below shows the second quarter and YTD 2019 income statement impact associated with the flow through of tax repairs, which began in the first quarter of 2018. In accordance with a settlement agreement with the Public Service Commission of Wisconsin, Wisconsin Electric was flowing through the tax benefit of its repair related deferred tax liabilities in 2018 and 2019, to maintain certain regulatory asset balances at their December 31, 2017 levels. The flow through treatment of the repair related deferred tax liabilities offset the negative income statement impact of holding the regulatory assets level, resulting in no change to net income.

<i>(in millions)</i>	Three Months Ended June 30, 2019			Six Months Ended June 30, 2019		
	WEC Energy Group – Reported GAAP Amounts	Impact From Flow Through of Tax Repairs	WEC Energy Group (Excluding Tax Repairs)	WEC Energy Group – Reported GAAP Amounts	Impact From Flow Through of Tax Repairs	WEC Energy Group (Excluding Tax Repairs)
Operating revenues	\$ 1,590.2	\$ 25.5	\$ 1,615.7	\$ 3,967.6	\$ 50.9	\$ 4,018.5
Operating expenses						
Cost of sales	491.9	—	491.9	1,501.5	—	1,501.5
Other operation and maintenance	503.6	(16.5)	487.1	1,054.2	(31.8)	1,022.4
Depreciation and amortization	229.9	—	229.9	456.3	—	456.3
Property and revenue taxes	50.2	—	50.2	98.2	—	98.2
Total operating expenses	1,275.6	(16.5)	1,259.1	3,110.2	(31.8)	3,078.4
Operating income	314.6	42.0	356.6	857.4	82.7	940.1
Equity in earnings of transmission affiliates	36.9	—	36.9	73.0	—	73.0
Other income, net	23.6	—	23.6	54.5	—	54.5
Interest expense	124.1	—	124.1	248.5	—	248.5
Other expense	(63.6)	—	(63.6)	(121.0)	—	(121.0)
Income before income taxes	251.0	42.0	293.0	736.4	82.7	819.1
Income tax expense	15.2	42.0	57.2	80.2	82.7	162.9
Net income	235.8	—	235.8	656.2	—	656.2
Preferred stock dividends of subsidiary	0.3	—	0.3	0.6	—	0.6
Net loss attributed to noncontrolling interests	0.2	—	0.2	0.2	—	0.2
Net income attributed to common shareholders	\$ 235.7	\$ —	\$ 235.7	\$ 655.8	\$ —	\$ 655.8
Effective tax rate	6.1 %		19.5 %	10.9 %		19.9 %

WEC ENERGY GROUP, INC.

SECOND QUARTER 2020 AND 2019 RESULTS — FACTORS AFFECTING EARNINGS

<i>(in millions, except per share amounts)</i>	2020	2019	Change B(W)	Change Related to 2019 Tax Repairs	Change Related to WE Power Lease	Remaining Change B(W)	Significant Factors
Operating income (loss) by segment							
Wisconsin	\$ 277.6	\$ 270.2	\$ 7.4	\$ 42.0	\$ (0.3)	\$ (34.3)	
							29.5 Margin - Weather
							(12.6) Margin - Fuel
							(10.0) Margin - Rate Impact ⁽¹⁾
							(26.4) All Other Margin
							1.3 Day to Day O&M
							(10.1) Depreciation
							(6.0) Other
							<u>(34.3)</u>
Illinois	59.5	42.6	16.9	—	—	16.9	
							15.6 Day to Day O&M
							1.3 SMP and Other
							<u>16.9</u>
Other States	6.0	4.6	1.4	—	—	1.4	Day to Day O&M of \$1.6
Energy Infrastructure	91.4	91.3	0.1	—	—	0.1	
Corporate and Other	(9.0)	(7.1)	(1.9)	—	—	(1.9)	
Reconciling Eliminations	(86.7)	(87.0)	0.3	—	0.3	—	
Operating income	338.8	314.6	24.2	42.0	—	(17.8)	
Equity in earnings of transmission affiliates	52.9	36.9	16.0	—	—	16.0	ROE Increase / Capital Investment
Other income, net	28.6	23.6	5.0	—	—	5.0	Higher Rabbi Trust Gains (Offset In O&M)
Interest expense	124.4	124.1	(0.3)	—	—	(0.3)	
Other expense	(42.9)	(63.6)	20.7	—	—	20.7	
Income before income taxes	295.9	251.0	44.9	42.0	—	2.9	
Income tax expense	53.8	15.2	(38.6)	(42.0)	—	3.4	Unprotected Deferred Tax Benefits
Net income	242.1	235.8	6.3	—	—	6.3	
Preferred stock dividends of subsidiary	0.3	0.3	—	—	—	—	
Net (income) loss attributed to noncontrolling interests	(0.2)	0.2	(0.4)	—	—	(0.4)	
Net income attributed to common shareholders	\$ 241.6	\$ 235.7	\$ 5.9	\$ —	\$ —	\$ 5.9	
Earnings per share - diluted	\$ 0.76	\$ 0.74	\$ 0.02				
Weighted average common shares outstanding - diluted	316.5	316.7					

⁽¹⁾ Includes a \$15.8 million decrease in operating income related to deferred tax benefits created as a result of the Tax Cuts and Jobs Act of 2017. In accordance with the rate order received from the Public Service Commission of Wisconsin in December 2019, our Wisconsin utilities are returning these unprotected deferred tax benefits to customers to reduce near-term rate impacts. There is an offsetting reduction to income tax expense.

WEC ENERGY GROUP, INC.

SECOND QUARTER YTD 2020 AND 2019 RESULTS — FACTORS AFFECTING EARNINGS

<i>(in millions, except per share amounts)</i>	2020	2019	Change B(W)	Change Related to 2019 Tax Repairs	Change Related to WE Power Lease	Remaining Change B(W)	Significant Factors
Operating income (loss) by segment							
Wisconsin	\$ 704.4	\$ 632.0	\$ 72.4	\$ 82.7	\$ (1.0)	\$ (9.3)	
						10.5	Margin - Rate Impact ⁽¹⁾
						(11.7)	Margin - Weather
						(24.1)	All Other Margin
						39.1	Day to Day O&M
						(18.2)	Depreciation
						(4.9)	Other
						(9.3)	
Illinois	221.1	180.5	40.6	—	—	40.6	
						34.9	Day to Day O&M
						5.7	SMP and Other
						40.6	
Other States	43.4	46.1	(2.7)	—	—	(2.7)	Volumes Partially Offset by Day to Day O&M of \$4.2
Energy Infrastructure	182.9	184.0	(1.1)	—	—	(1.1)	
Corporate and Other	(13.2)	(11.0)	(2.2)	—	—	(2.2)	
Reconciling Eliminations	(173.2)	(174.2)	1.0	—	1.0	—	
Operating income	965.4	857.4	108.0	82.7	—	25.3	
Equity in earnings of transmission affiliates	92.7	73.0	19.7	—	—	19.7	ROE Increase / Capital Investment
Other income, net	34.2	54.5	(20.3)	—	—	(20.3)	Rabbi Trust Losses (Offset in O&M)
Interest expense	253.8	248.5	(5.3)	—	—	(5.3)	Borrowings to Fund Capital Projects
Other expense	(126.9)	(121.0)	(5.9)	—	—	(5.9)	
Income before income taxes	838.5	736.4	102.1	82.7	—	19.4	
Income tax expense	143.8	80.2	(63.6)	(82.7)	—	19.1	Unprotected Deferred Tax Benefits
Net income	694.7	656.2	38.5	—	—	38.5	
Preferred stock dividends of subsidiary	0.6	0.6	—	—	—	—	
Net loss attributed to noncontrolling interests	—	0.2	(0.2)	—	—	(0.2)	
Net income attributed to common shareholders	\$ 694.1	\$ 655.8	\$ 38.3	\$ —	\$ —	\$ 38.3	
Earnings per share - diluted	\$ 2.19	\$ 2.07	\$ 0.12				
Weighted average common shares outstanding - diluted	316.6	316.7					

⁽¹⁾ Includes a \$39.9 million decrease in operating income related to deferred tax benefits created as a result of the Tax Cuts and Jobs Act of 2017. In accordance with the rate order received from the Public Service Commission of Wisconsin in December 2019, our Wisconsin utilities are returning these unprotected deferred tax benefits to customers to reduce near-term rate impacts. There is an offsetting reduction to income tax expense.

WEC ENERGY GROUP, INC.

Summary of Other Operation and Maintenance Expense - Second Quarter

Wisconsin Segment

<i>(in millions)</i>	Three Months Ended June 30		
	2020	2019	B (W)
Operation and maintenance not included in the line items below	\$ 153.6	\$ 154.9	\$ 1.3
Transmission ⁽¹⁾	129.0	103.6	(25.4)
We Power ⁽²⁾	29.9	34.2	4.3
Regulatory amortizations and other pass through expenses ⁽³⁾	36.9	37.2	0.3
Transmission expense related to the flow through of tax repairs ⁽⁴⁾	—	16.5	16.5
Transmission expense related to Tax Legislation ⁽⁵⁾	—	17.5	17.5
Total other operation and maintenance	\$ 349.4	\$ 363.9	\$ 14.5

⁽¹⁾ Represents transmission expense that we are authorized to collect in rates, in accordance with the Public Service Commission of Wisconsin's (PSCW's) approval of escrow accounting for American Transmission Company LLC and Midcontinent Independent System Operator Inc. network transmission expenses for our Wisconsin electric utilities. As a result, Wisconsin Electric Power Company (WE) and Wisconsin Public Service Corporation defer as a regulatory asset or liability, the difference between actual transmission costs and those included in rates until recovery or refund is authorized in a future rate proceeding. During the three months ended June 30, 2020 and 2019, \$113.7 million and \$119.5 million, respectively, of costs were billed to our electric utilities by transmission providers.

⁽²⁾ Represents costs associated with the W.E. Power, LLC (We Power) generation units, including operating and maintenance costs recognized by WE. During the three months ended June 30, 2020 and 2019, \$25.5 million and \$45.6 million, respectively, of operating and maintenance costs were billed to or incurred by WE related to the We Power generation units, with the difference in costs billed or incurred and expenses recognized, either deferred or deducted from the regulatory asset.

⁽³⁾ Regulatory amortizations and other pass through expenses are substantially offset in margins and therefore do not have a significant impact on operating income.

⁽⁴⁾ Represents additional transmission expense recorded in 2019 associated with WE's flow through of tax benefits of its repair-related deferred tax liabilities starting in 2018 in accordance with a settlement agreement with the PSCW, to maintain certain regulatory asset balances at their December 31, 2017 levels. This decrease in expenses was offset in income taxes. Since WE's transmission regulatory asset was eliminated at December 31, 2019, there were no tax benefits used in 2020.

⁽⁵⁾ Represents additional transmission expense recorded in 2019 associated with the May 2018 PSCW order requiring WE to use 80% of its current 2018 tax benefit, including the amortization associated with the revaluation of deferred taxes, to reduce its transmission regulatory asset balance. Since WE's transmission regulatory asset was eliminated at December 31, 2019, there were no tax benefits used in 2020.

Illinois Segment

<i>(in millions)</i>	Three Months Ended June 30		
	2020	2019	B (W)
Operation and maintenance not included in the line items below	\$ 75.9	\$ 91.5	\$ 15.6
Riders ⁽¹⁾	18.0	15.6	(2.4)
Regulatory amortizations ⁽¹⁾	(0.7)	(0.3)	0.4
Other	—	0.2	0.2
Total other operation and maintenance	\$ 93.2	\$ 107.0	\$ 13.8

⁽¹⁾ These riders and regulatory amortizations are substantially offset in margins and therefore do not have a significant impact on operating income.

Other States Segment

<i>(in millions)</i>	Three Months Ended June 30		
	2020	2019	B (W)
Operation and maintenance not included in line item below	\$ 17.3	\$ 18.9	\$ 1.6
Regulatory amortizations and other pass through expenses ⁽¹⁾	3.1	4.5	1.4
Total other operation and maintenance	\$ 20.4	\$ 23.4	\$ 3.0

⁽¹⁾ Regulatory amortizations and other pass through expenses are substantially offset in margins and therefore do not have a significant impact on operating income.

WEC ENERGY GROUP, INC.

Summary of Other Operation and Maintenance Expense - YTD

Wisconsin Segment

<i>(in millions)</i>	Six Months Ended June 30		
	2020	2019	B (W)
Operation and maintenance not included in line items below	\$ 291.9	\$ 331.0	\$ 39.1
Transmission ⁽¹⁾	258.8	209.4	(49.4)
We Power ⁽²⁾	60.2	70.1	9.9
Regulatory amortizations and other pass through expenses ⁽³⁾	69.3	81.6	12.3
Transmission expense related to the flow through of tax repairs ⁽⁴⁾	—	31.8	31.8
Transmission expense related to Tax Legislation ⁽⁵⁾	—	32.7	32.7
Total other operation and maintenance	\$ 680.2	\$ 756.6	\$ 76.4

⁽¹⁾ Represents transmission expense that we are authorized to collect in rates, in accordance with the Public Service Commission of Wisconsin's (PSCW's) approval of escrow accounting for American Transmission Company LLC and Midcontinent Independent System Operator Inc. network transmission expenses for our Wisconsin electric utilities. As a result, Wisconsin Electric Power Company (WE) and Wisconsin Public Service Corporation defer as a regulatory asset or liability, the difference between actual transmission costs and those included in rates until recovery or refund is authorized in a future rate proceeding. During the six months ended June 30, 2020 and 2019, \$234.7 million and \$238.1 million, respectively, of costs were billed to our electric utilities by transmission providers.

⁽²⁾ Represents costs associated with the W.E. Power, LLC (We Power) generation units, including operating and maintenance costs recognized by WE. During the six months ended June 30, 2020 and 2019, \$60.6 million and \$76.4 million, respectively, of operating and maintenance costs were billed to or incurred by WE related to the We Power generating units, with the difference in costs billed or incurred and expenses recognized, either deferred or deducted from the regulatory asset.

⁽³⁾ Regulatory amortizations and other pass through expenses are substantially offset in margins and therefore do not have a significant impact on operating income.

⁽⁴⁾ Represents additional transmission expense recorded in 2019 associated with WE's flow through of tax benefits of its repair-related deferred tax liabilities starting in 2018 in accordance with a settlement agreement with the PSCW, to maintain certain regulatory asset balances at their December 31, 2017 levels. This decrease in expenses was offset in income taxes. Since WE's transmission asset was eliminated at December 31, 2019, there were no tax benefits used in 2020.

⁽⁵⁾ Represents additional transmission expense recorded in 2019 associated with the May 2018 PSCW order requiring WE to use 80% of its current 2018 tax benefit, including the amortization associated with the revaluation of deferred taxes, to reduce its transmission regulatory asset balance. Since WE's transmission regulatory asset was eliminated at December 31, 2019, there were no tax benefits used in 2020.

Illinois Segment

<i>(in millions)</i>	Six Months Ended June 30		
	2020	2019	B (W)
Operation and maintenance not included in the line items below	\$ 144.6	\$ 179.5	\$ 34.9
Riders ⁽¹⁾	54.1	56.1	2.0
Regulatory amortizations ⁽¹⁾	(1.4)	(0.7)	0.7
Other	—	0.3	0.3
Total other operation and maintenance	\$ 197.3	\$ 235.2	\$ 37.9

⁽¹⁾ These riders and regulatory amortizations are substantially offset in margins and therefore do not have a significant impact on operating income.

Other States Segment

<i>(in millions)</i>	Six Months Ended June 30		
	2020	2019	B (W)
Operation and maintenance not included in line item below	\$ 33.5	\$ 37.7	\$ 4.2
Regulatory amortizations and other pass through expenses ⁽¹⁾	8.6	13.3	4.7
Total other operation and maintenance	\$ 42.1	\$ 51.0	\$ 8.9

⁽¹⁾ Regulatory amortizations and other pass through expenses are substantially offset in margins and therefore do not have a significant impact on operating income.

WEC ENERGY GROUP, INC.

SECOND QUARTER 2020 AND 2019 WEATHER AND VOLUMES

Weather — Degree Days	2020	2019	Change
Wisconsin Gas and Wisconsin Electric ⁽¹⁾			
Heating (926 Normal)	995	973	2.3 %
Cooling (161 Normal)	223	76	193.4 %
Wisconsin Public Service ⁽²⁾			
Heating (961 Normal)	1,078	1,040	3.7 %
Cooling (133 Normal)	185	78	137.2 %
Upper Michigan Energy Resources ⁽³⁾			
Heating (1,192 Normal)	1,325	1,333	(0.6)%
Cooling (77 Normal)	114	49	132.7 %
Peoples Gas and North Shore Gas ⁽⁴⁾			
Heating (716 Normal)	772	771	0.1 %
Minnesota Energy Resources ⁽⁵⁾			
Heating (955 Normal)	1,041	1,074	(3.1)%
Michigan Gas ⁽⁵⁾			
Heating (759 Normal)	933	805	15.9 %

⁽¹⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from Mitchell International Airport in Milwaukee, Wisconsin.

⁽²⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from the Green Bay, Wisconsin weather station.

⁽³⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from the Iron Mountain, Michigan weather station.

⁽⁴⁾ Normal degree days are based on a 12-year moving average of monthly temperatures from Chicago's O'Hare Airport.

⁽⁵⁾ Normal degree days for Minnesota Energy Resources and Michigan Gas are based on a 20-year moving average and 15-year moving average, respectively, of monthly temperatures from various weather stations throughout their respective service territories.

ELECTRIC UTILITY OPERATIONS – SECOND QUARTER

(in thousands)	MWh		
	2020	2019	Change
Customer class			
Residential	2,736.7	2,336.8	17.1 %
Small commercial and industrial ⁽¹⁾	2,793.1	3,054.8	(8.6)%
Large commercial and industrial ⁽¹⁾	2,561.9	3,155.1	(18.8)%
Other	36.2	39.2	(7.7)%
Total retail ⁽¹⁾	8,127.9	8,585.9	(5.3)%
Wholesale	725.3	820.8	(11.6)%
Resale	1,425.5	1,789.2	(20.3)%
Total MWh sales ⁽¹⁾	10,278.7	11,195.9	(8.2)%

⁽¹⁾ Includes distribution sales for customers who purchased power from an alternative electric supplier in Michigan.

GAS UTILITY OPERATIONS – SECOND QUARTER

(in millions)	Therms											
	2020				2019				Change			
	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total
Customer class												
Residential	177.4	140.5	53.4	371.3	170.7	126.7	47.8	345.2	3.9 %	10.9 %	11.7 %	7.6 %
Commercial/industrial	99.1	48.5	26.8	174.4	108.1	57.4	33.1	198.6	(8.3)%	(15.5)%	(19.0)%	(12.2)%
Total retail	276.5	189.0	80.2	545.7	278.8	184.1	80.9	543.8	(0.8)%	2.7 %	(0.9)%	0.3 %
Transport	286.8	136.7	123.4	546.9	320.9	141.0	174.8	636.7	(10.6)%	(3.0)%	(29.4)%	(14.1)%
Total therms sold	563.3	325.7	203.6	1,092.6	599.7	325.1	255.7	1,180.5	(6.1)%	0.2 %	(20.4)%	(7.4)%

WEC ENERGY GROUP, INC.

SECOND QUARTER YTD 2020 AND 2019 WEATHER AND VOLUMES

Weather — Degree Days	2020	2019	Change
Wisconsin Gas and Wisconsin Electric ⁽¹⁾			
Heating (4,245 Normal)	3,920	4,456	(12.0)%
Cooling (161 Normal)	223	76	193.4 %
Wisconsin Public Service ⁽²⁾			
Heating (4,665 Normal)	4,446	4,881	(8.9)%
Cooling (133 Normal)	185	78	137.2 %
Upper Michigan Energy Resources ⁽³⁾			
Heating (5,210 Normal)	4,998	5,637	(11.3)%
Cooling (77 Normal)	114	49	132.7 %
Peoples Gas and North Shore Gas ⁽⁴⁾			
Heating (3,940 Normal)	3,565	4,158	(14.3)%
Minnesota Energy Resources ⁽⁵⁾			
Heating (4,943 Normal)	4,786	5,456	(12.3)%
Michigan Gas ⁽⁵⁾			
Heating (3,989 Normal)	3,766	4,103	(8.2)%

⁽¹⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from Mitchell International Airport in Milwaukee, Wisconsin.

⁽²⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from the Green Bay, Wisconsin weather station.

⁽³⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from the Iron Mountain, Michigan weather station.

⁽⁴⁾ Normal degree days are based on a 12-year moving average of monthly temperatures from Chicago's O'Hare Airport.

⁽⁵⁾ Normal degree days for Minnesota Energy Resources and Michigan Gas are based on a 20-year moving average and 15-year moving average, respectively, of monthly temperatures from various weather stations throughout their respective service territories.

ELECTRIC UTILITY OPERATIONS – SECOND QUARTER YTD

(in thousands)	MWh		
	Wisconsin 2020	Wisconsin 2019	Change
Customer class			
Residential	5,417.8	5,147.5	5.3 %
Small commercial and industrial ⁽¹⁾	5,890.0	6,235.9	(5.5)%
Large commercial and industrial ⁽¹⁾	5,570.8	6,241.9	(10.8)%
Other	78.7	84.2	(6.5)%
Total retail ⁽¹⁾	16,957.3	17,709.5	(4.2)%
Wholesale	1,467.8	1,664.5	(11.8)%
Resale	3,421.9	3,144.7	8.8 %
Total MWh sales ⁽¹⁾	21,847.0	22,518.7	(3.0)%

⁽¹⁾ Includes distribution sales for customers who have purchased power from an alternative electric supplier in Michigan.

GAS UTILITY OPERATIONS – SECOND QUARTER YTD

(in millions)	Therms											
	2020				2019				Change			
	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total
Customer class												
Residential	669.8	520.9	195.4	1,386.1	747.2	575.7	219.8	1,542.7	(10.4)%	(9.5)%	(11.1)%	(10.2)%
Commercial/industrial	390.6	204.5	117.1	712.2	446.2	232.3	144.1	822.6	(12.5)%	(12.0)%	(18.7)%	(13.4)%
Total retail	1,060.4	725.4	312.5	2,098.3	1,193.4	808.0	363.9	2,365.3	(11.1)%	(10.2)%	(14.1)%	(11.3)%
Transport	715.4	465.9	382.6	1,563.9	752.1	528.9	403.5	1,684.5	(4.9)%	(11.9)%	(5.2)%	(7.2)%
Total therms delivered	1,775.8	1,191.3	695.1	3,662.2	1,945.5	1,336.9	767.4	4,049.8	(8.7)%	(10.9)%	(9.4)%	(9.6)%

WEC ENERGY GROUP, INC.

**RETAIL ELECTRIC SALES VOLUME INFORMATION
SECOND QUARTER**

DELIVERED ELECTRIC VOLUMES – TOTAL WISCONSIN SEGMENT	Three Months Ended June 30		Annual
	2020 Actual vs. 2019 Actual	2020 Normalized vs. 2019 Normalized ^{(1), (2)}	2020 Forecast vs. 2019 Normalized ^{(1), (2), (3)}
Residential	17.1 %	7.3 %	1.4 %
Small commercial/industrial	(8.6)%	(11.3)%	(4.6)%
Large commercial/industrial (ex. mine)	(12.9)%	(14.1)%	(10.5)%
Total large commercial/industrial	(18.8)%	(19.8)%	(11.9)%
Total retail sales volumes	(5.3)%	(9.2)%	(5.3)%
Total retail sales volumes (ex. mine)	(2.7)%	(6.9)%	(4.6)%

**RETAIL ELECTRIC SALES VOLUME INFORMATION
SECOND QUARTER YTD**

DELIVERED ELECTRIC VOLUMES – TOTAL WISCONSIN SEGMENT	Six Months Ended June 30		Annual
	2020 Actual vs. 2019 Actual	2020 Normalized vs. 2019 Normalized ^{(1), (2)}	2020 Forecast vs. 2019 Normalized ^{(1), (2), (3)}
Residential	5.2 %	3.2 %	1.4 %
Small commercial/industrial	(5.5)%	(6.3)%	(4.6)%
Large commercial/industrial (ex. mine)	(8.0)%	(9.2)%	(10.5)%
Total large commercial/industrial	(10.8)%	(11.8)%	(11.9)%
Total retail sales volumes	(4.2)%	(5.5)%	(5.3)%
Total retail sales volumes (ex. mine)	(3.1)%	(4.4)%	(4.6)%

⁽¹⁾ Normalized — 20 year average weather adjusted.

⁽²⁾ Actual results may differ materially from these forecasts because of seasonal, economic, and other factors. An adjustment for leap year in 2020 is factored into the percentages for the six months ended June 30.

⁽³⁾ **Sales Forecast Update**

The 2020 forecasted sales volumes include our current assessment of the impacts of the COVID-19 pandemic. They reflect actual 2020 sales volumes for the first half of 2020, trends seen in July, and a projection for the remainder of the year. We saw an increase in residential sales volumes in the second quarter as our residential customers followed Wisconsin's "Safer at Home" order. We also observed a decrease in the consumption of energy by some of our commercial and industrial customers as many of these customers experienced lower demand for their products and services, or were prohibited from operating during the "Safer at Home" order. In addition, many businesses in Wisconsin continue to operate at reduced capacity. Ultimately, the extent to which the COVID-19 pandemic may affect our sales depends on factors beyond our control, including the extent and speed of the virus's spread and its continuing impacts on all of our customers, the length of time businesses operate at reduced capacity, and the demand for our commercial and industrial customers' products and services.

The table below shows the change in normalized sales volumes for the second quarter, broken out by month.

SECOND QUARTER RETAIL ELECTRIC SALES VOLUME INFORMATION - 2020 Normalized vs. 2019 Normalized Volumes by Month

	April	May	June	Second Quarter
Residential	5.4 %	8.8 %	7.6 %	7.3 %
Small commercial/industrial	(10.1)%	(13.0)%	(10.9)%	(11.3)%
Large commercial/industrial (ex. mine)	(16.4)%	(15.4)%	(10.7)%	(14.1)%
Total retail sales volumes (ex. mine)	(7.8)%	(7.5)%	(5.5)%	(6.9)%

WEC ENERGY GROUP, INC.

**RETAIL NATURAL GAS SALES VOLUME INFORMATION
SECOND QUARTER**

DELIVERED NATURAL GAS VOLUMES – TOTAL WISCONSIN SEGMENT	Three Months Ended June 30		Annual
	2020 Actual vs. 2019 Actual	2020 Normalized vs. 2019 Normalized ^{(1), (2)}	2020 Forecast vs. 2019 Normalized ^{(1), (2), (3)}
Residential	3.9 %	0.4 %	(0.1)%
Total commercial/industrial	(8.3)%	(10.9)%	(3.2)%
Total retail sales volumes	(0.8)%	(4.0)%	(1.3)%
Transport (w/o power generation)	(9.9)%	(10.1)%	(4.7)%
Total sales volumes (w/o power generation)	(5.5)%	(7.2)%	(2.7)%

**RETAIL NATURAL GAS SALES VOLUME INFORMATION
SECOND QUARTER YTD**

DELIVERED NATURAL GAS VOLUMES – TOTAL WISCONSIN SEGMENT	Six Months Ended June 30		Annual
	2020 Actual vs. 2019 Actual	2020 Normalized vs. 2019 Normalized ^{(1), (2)}	2020 Forecast vs. 2019 Normalized ^{(1), (2), (3)}
Residential	(10.4)%	(0.6)%	(0.1)%
Total commercial/industrial	(12.5)%	(4.1)%	(3.2)%
Total retail sales volumes	(11.1)%	(1.9)%	(1.3)%
Transport (w/o power generation)	(5.6)%	(4.3)%	(4.7)%
Total sales volumes (w/o power generation)	(9.1)%	(2.8)%	(2.7)%

⁽¹⁾ Normalized — 20 year average weather adjusted.

⁽²⁾ Actual results may differ materially from these forecasts because of seasonal, economic, and other factors. An adjustment for leap year in 2020 is factored into these percentages.

⁽³⁾ **Sales Forecast Update**

The 2020 forecasted sales volumes include our current assessment of the impacts of the COVID-19 pandemic. They reflect actual 2020 sales volumes for the first half of 2020 and a projection for the remainder of the year. We saw an increase in residential sales volumes in the second quarter as our residential customers followed Wisconsin's "Safer at Home" order. We also observed a decrease in the consumption of energy by some of our commercial and industrial customers as many of these customers experienced lower demand for their products and services, or were prohibited from operating during the "Safer at Home" order. In addition, many businesses in Wisconsin continue to operate at reduced capacity. Ultimately, the extent to which the COVID-19 pandemic may affect our sales depends on factors beyond our control, including the extent and speed of the virus's spread and its continuing impacts on all of our customers, the length of time businesses operate at reduced capacity, and the demand for our commercial and industrial customers' products and services.

WEC ENERGY GROUP, INC.

OTHER FINANCIAL INFORMATION
SIX MONTHS ENDED JUNE 30, 2020 AND 2019

EBIT and EBITDA <i>(in millions)</i>	2020 Actual	2019 Actual
Net income attributed to common shareholders	\$ 694.1	\$ 655.8
Income tax expense	143.8	80.2
Interest expense	253.8	248.5
EBIT	1,091.7	984.5
Depreciation and amortization	481.6	456.3
EBITDA	\$ 1,573.3	\$ 1,440.8

Capitalization Structure <i>(in millions)</i>	June 30, 2020	
	Actual	Adjusted ⁽¹⁾
Common shareholders' equity	\$ 10,383.7	\$ 10,633.7
Preferred stock of subsidiary	30.4	30.4
Long-term debt (including current portion)	11,616.6	11,366.6
Short-term debt	1,211.5	1,211.5
Total capitalization	\$ 23,242.2	\$ 23,242.2
Total debt	\$ 12,828.1	\$ 12,578.1
Ratio of debt to total capitalization	55.2 %	54.1 %

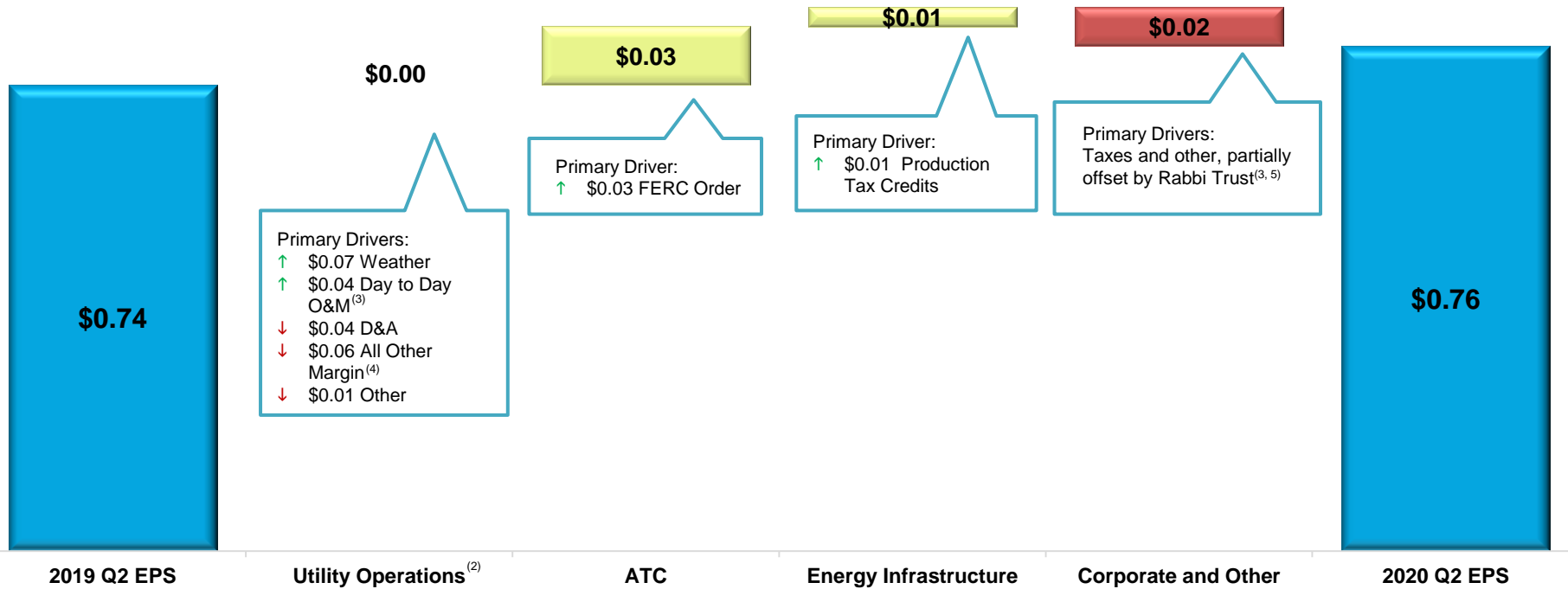
Capitalization Structure <i>(in millions)</i>	December 31, 2019	
	Actual	Adjusted ⁽¹⁾
Common shareholders' equity	\$ 10,113.4	\$ 10,363.4
Preferred stock of subsidiary	30.4	30.4
Long-term debt (including current portion)	11,904.2	11,654.2
Short-term debt	830.8	830.8
Total capitalization	\$ 22,878.8	\$ 22,878.8
Total debt	\$ 12,735.0	\$ 12,485.0
Ratio of debt to total capitalization	55.7 %	54.6 %

⁽¹⁾ Included in long-term debt on our Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, is \$500.0 million principal amount of WEC Energy Group's 2007 Junior Subordinated Notes due 2067. The adjusted presentation attributes \$250.0 million of the Junior Notes to common shareholders' equity and \$250.0 million to long-term debt, similar to how the majority of rating agencies treat them.

CREDIT RATINGS

	S & P	Moody's	Fitch
WEC Energy Group, Inc.			
Senior unsecured debt	BBB+	Baa1	BBB+
Commercial paper	A-2	P-2	F2
Junior subordinated notes	BBB	Baa2	BBB-
Wisconsin Electric			
Senior unsecured debt	A-	A2	A+
Commercial paper	A-2	P-1	F1
Wisconsin Public Service			
Senior unsecured debt	A-	A2	A+
Commercial paper	A-2	P-1	F1
Wisconsin Gas			
Senior unsecured debt	A	A3	A
Commercial paper	A-1	P-2	F2
Peoples Gas Light & Coke			
Senior secured debt	N/A	Aa3	A+
Commercial paper	A-2	P-1	F2
Elm Road Generating Station Supercritical, LLC			
Senior secured debt	A-	A2	A+
Integrus Holding, Inc.			
Senior unsecured debt	BBB+	Baa1	BBB+
Junior subordinated notes	BBB	Baa2	BBB-

Quarterly EPS Earnings Drivers ⁽¹⁾



(1) All amounts (other than actual quarter-end EPS results) are presented on an after tax basis assuming a statutory effective tax rate.

(2) Includes aggregate results across our Wisconsin, Illinois, Michigan and Minnesota utilities.

(3) O&M expense related to deferred compensation liabilities at the utilities substantially offset Rabbi Trust variance.

(4) Primarily includes rate relief and additional capital investment of \$0.03, fuel of (\$0.03), sales impacts from the COVID-19 pandemic of (\$0.05), and other margin of (\$0.01).

(5) Primarily includes Rabbi Trust performance of \$0.02, tax items of (\$0.03), and other of (\$0.01).