WEC Energy Group, Inc.

2020 Year End Earnings

Released February 4, 2021

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WEC Energy Group

News

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February 4, 2021

WEC Energy Group posts strong 2020 results

MILWAUKEE – WEC Energy Group (NYSE: WEC) today reported net income of $1.20 billion, or $3.79 per share, for 2020. This compares to earnings of $1.13 billion, or $3.58 per share, for 2019.

For the fourth quarter of 2020, WEC Energy Group recorded net income of $239.0 million, or 76 cents per share. This compares to earnings of $243.9 million, or 77 cents per share, for the fourth quarter of 2019.

"In a challenging year, we turned resilience into results for our stockholders, our customers, and our communities," said Gale Klappa, executive chairman. "And our momentum should accelerate in 2021 as we execute our ESG Progress Plan – investing in efficiency, sustainability, and growth."

WEC Energy Group was recently recognized as one of America's Most Responsible Companies by Newsweek and, during the fourth quarter of 2020, We Energies was also honored for superior reliability of its electric delivery network. This marks the tenth consecutive year that We Energies has been named the most reliable utility in the Midwest.

For the full year, retail deliveries of electricity – excluding the iron ore mine in Michigan's Upper Peninsula – decreased by 2.1 percent. Residential electricity use rose by 5.5 percent.

Electricity consumption by small commercial and industrial customers declined by 4.8 percent. Electricity use by large commercial and industrial customers – excluding the iron ore mine – dropped by 6.5 percent during 2020.

On a weather-normal basis for 2020, retail deliveries of electricity – excluding the iron ore mine – fell by 2.9 percent.

Natural gas deliveries in Wisconsin, excluding gas used for power generation, decreased by 7.9 percent during 2020. On a weather-normal basis, natural gas deliveries were 2.4 percent lower during the year.

At the end of 2020, 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.

“Today, we are also reaffirming the company's 2021 earnings guidance. We expect earnings to be in a range of $3.99 to $4.03 per share – in line with our long-term objective of growing earnings at a rate of 5 to 7 percent annually,” Klappa said.

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, Thursday, Feb. 4. The call will review 2020 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 877-683-2228 up to 15 minutes before it begins. The number for international callers is 647-689-5446. The conference ID is 4783763.

Conference call access also is available at wecenergygroup.com. Under ‘Webcasts,’ select ‘Year-End Earnings.’ In conjunction with this earnings announcement, WEC Energy Group will post on its website a package of detailed financial information on its 2020 performance. The materials will be available at 6:30 a.m. Central time, Thursday, Feb. 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 Feb. 18, 2021. Domestic callers should dial 800-585-8367. International callers should dial 416-621-4642. The replay conference ID is 4783763.

WEC Energy Group (NYSE: WEC), based in Milwaukee, is one of the nation’s premier energy companies, serving 4.6 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 42,000 stockholders of record, 7,500 employees and $37 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 extent, duration and impact of the COVID-19 pandemic or any future health pandemics; 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 and environmental conservation efforts; the company’s ability to successfully acquire and/or dispose of assets and projects; cyber-security 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, proceedings or inquiries; changes in accounting standards; the financial performance of American Transmission Company 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 December 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.

Tables follow

WEC ENERGY GROUP, INC.

CONSOLIDATED INCOME STATEMENTS (Unaudited)	Three Months Ended December 31		Year Ended December 31	
(in millions, except per share amounts)	2020	2019	2020	2019
Operating revenues	**$ 1,933.4**	$ 1,947.5	**$ 7,241.7**	$ 7,523.1
Operating expenses				
Cost of sales	**657.5**	693.0	**2,319.5**	2,678.8
Other operation and maintenance	**604.7**	601.4	**2,032.2**	2,184.8
Depreciation and amortization	**249.3**	236.2	**975.9**	926.3
Property and revenue taxes	**51.4**	53.8	**208.0**	201.8
Total operating expenses	**1,562.9**	1,584.4	**5,535.6**	5,991.7
Operating income	**370.5**	363.1	**1,706.1**	1,531.4
Equity in earnings of transmission affiliates	**43.0**	15.9	**175.8**	127.6
Other income, net	**19.6**	25.9	**79.5**	102.2
Interest expense	**117.9**	127.2	**493.7**	501.5
Loss on debt extinguishment	**38.4**	—	**38.4**	—
Other expense	**(93.7)**	(85.4)	**(276.8)**	(271.7)
Income before income taxes	**276.8**	277.7	**1,429.3**	1,259.7
Income tax expense	**37.2**	33.5	**227.9**	125.0
Net income	**239.6**	244.2	**1,201.4**	1,134.7
Preferred stock dividends of subsidiary	**0.3**	0.3	**1.2**	1.2
Net (income) loss attributed to noncontrolling interests	**(0.3)**	—	**(0.3)**	0.5
Net income attributed to common shareholders	**$ 239.0**	$ 243.9	**$ 1,199.9**	$ 1,134.0
Earnings per share				
Basic	**$ 0.76**	$ 0.77	**$ 3.80**	$ 3.60
Diluted	**$ 0.76**	$ 0.77	**$ 3.79**	$ 3.58
Weighted average common shares outstanding				
Basic	**315.4**	315.4	**315.4**	315.4
Diluted	**316.5**	316.7	**316.5**	316.7
Dividends per share of common stock	**$ 0.6325**	$ 0.5900	**$ 2.5300**	$ 2.3600

WEC ENERGY GROUP, INC.

CONSOLIDATED BALANCE SHEETS (Unaudited) *(in millions, except share and per share amounts)*	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	**$ 24.8**	$ 37.5
Accounts receivable and unbilled revenues, net of reserves of $220.1 and $140.0, respectively	**1,202.8**	1,176.5
Materials, supplies, and inventories	**528.6**	549.8
Prepayments	**263.4**	261.8
Other	**63.4**	68.0
Current assets	**2,083.0**	2,093.6
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation and amortization of $9,364.7 and $8,878.7, respectively	**25,707.4**	23,620.1
Regulatory assets	**3,524.1**	3,506.7
Equity investment in transmission affiliates	**1,764.3**	1,720.8
Goodwill	**3,052.8**	3,052.8
Other	**896.5**	957.8
Long-term assets	**34,945.1**	32,858.2
Total assets	**$ 37,028.1**	$ 34,951.8
Liabilities and Equity		
Current liabilities		
Short-term debt	**$ 1,776.9**	$ 830.8
Current portion of long-term debt	**785.8**	693.2
Accounts payable	**880.7**	908.1
Accrued payroll and benefits	**174.0**	199.8
Other	**530.7**	550.8
Current liabilities	**4,148.1**	3,182.7
Long-term liabilities		
Long-term debt	**11,728.1**	11,211.0
Deferred income taxes	**4,059.8**	3,769.3
Deferred revenue, net	**412.2**	497.1
Regulatory liabilities	**3,928.1**	3,992.8
Environmental remediation liabilities	**532.9**	589.2
Pension and OPEB obligations	**327.0**	326.2
Other	**1,229.4**	1,128.9
Long-term liabilities	**22,217.5**	21,514.5
Commitments and contingencies		
Common shareholders' equity		
Common stock – $0.01 par value; 325,000,000 shares authorized; 315,434,531 shares outstanding	**3.2**	3.2
Additional paid in capital	**4,143.7**	4,186.6
Retained earnings	**6,329.6**	5,927.7
Accumulated other comprehensive loss	**(6.8)**	(4.1)
Common shareholders' equity	**10,469.7**	10,113.4
Preferred stock of subsidiary	**30.4**	30.4
Noncontrolling interests	**162.4**	110.8
Total liabilities and equity	**$ 37,028.1**	$ 34,951.8

WEC ENERGY GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Year Ended December 31	
(in millions)	**2020**	**2019**
Operating activities		
Net income	**$ 1,201.4**	$ 1,134.7
Reconciliation to cash provided by operating activities		
Depreciation and amortization	**975.9**	926.3
Deferred income taxes and investment tax credits, net	**209.4**	162.9
Contributions and payments related to pension and OPEB plans	**(113.2)**	(65.9)
Equity income in transmission affiliates, net of distributions	**(29.1)**	(2.9)
Change in –		
Accounts receivable and unbilled revenues, net	**16.1**	98.2
Materials, supplies, and inventories	**21.2**	(1.5)
Other current assets	**13.4**	(7.1)
Accounts payable	**(61.3)**	1.5
Other current liabilities	**(41.2)**	78.7
Other, net	**3.4**	20.6
Net cash provided by operating activities	**2,196.0**	2,345.5
Investing activities		
Capital expenditures	**(2,238.8)**	(2,260.8)
Acquisition of Blooming Grove Wind Energy Center LLC, net of restricted cash acquired of $24.1	**(364.6)**	—
Acquisition of Tatanka Ridge Wind LLC	**(239.9)**	—
Acquisition of Upstream Wind Energy LLC, net of cash and restricted cash acquired of $9.2	**—**	(268.2)
Capital contributions to transmission affiliates	**(21.2)**	(52.6)
Proceeds from the sale of assets and businesses	**20.3**	37.6
Proceeds from the sale of investments held in rabbi trust	**56.2**	0.2
Purchase of investments held in rabbi trust	**(37.8)**	—
Reimbursement for American Transmission Company LLC's construction costs	**1.1**	32.4
Insurance proceeds received for property damage	**23.2**	—
Other, net	**(5.3)**	16.5
Net cash used in investing activities	**(2,806.8)**	(2,494.9)
Financing activities		
Exercise of stock options	**43.8**	67.0
Purchase of common stock	**(99.2)**	(140.1)
Dividends paid on common stock	**(798.0)**	(744.5)
Issuance of long-term debt	**2,373.6**	1,895.0
Retirement of long-term debt	**(1,767.0)**	(360.1)
Issuance of short-term loan	**340.0**	—
Change in other short-term debt	**606.1**	(609.3)
Payments for debt extinguishment and issuance costs	**(55.8)**	(12.5)
Purchase of additional ownership interest in Upstream Wind Energy LLC from noncontrolling interest	**(31.0)**	—
Other, net	**(11.4)**	(9.9)
Net cash provided by financing activities	**601.1**	85.6
Net change in cash, cash equivalents, and restricted cash	**(9.7)**	(63.8)
Cash, cash equivalents, and restricted cash at beginning of year	**82.3**	146.1
Cash, cash equivalents, and restricted cash at end of year	**$ 72.6**	$ 82.3

INCOME STATEMENT IMPACT OF AMORTIZATION OF UNPROTECTED TAX BENEFITS

WEC Energy Group – The table below shows the fourth quarter and full year 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.

	Three Months Ended December 31, 2020			Year Ended December 31, 2020		
(in millions)	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	$ 1,933.4	$ 13.9	$ 1,947.3	$ 7,241.7	$ 77.0	$ 7,318.7
Operating expenses						
Cost of sales	657.5	—	657.5	2,319.5	—	2,319.5
Other operation and maintenance	604.7	—	604.7	2,032.2	—	2,032.2
Depreciation and amortization	249.3	—	249.3	975.9	—	975.9
Property and revenue taxes	51.4	—	51.4	208.0	—	208.0
Total operating expenses	1,562.9	—	1,562.9	5,535.6	—	5,535.6
Operating income	370.5	13.9	384.4	1,706.1	77.0	1,783.1
Equity in earnings of transmission affiliates	43.0	—	43.0	175.8	—	175.8
Other income, net	19.6	—	19.6	79.5	—	79.5
Interest expense	117.9	—	117.9	493.7	—	493.7
Loss on debt extinguishment	38.4	—	38.4	38.4	—	38.4
Other expense	(93.7)	—	(93.7)	(276.8)	—	(276.8)
Income before income taxes	276.8	13.9	290.7	1,429.3	77.0	1,506.3
Income tax expense	37.2	13.9	51.1	227.9	77.0	304.9
Net income	239.6	—	239.6	1,201.4	—	1,201.4
Preferred stock dividends of subsidiary	0.3	—	0.3	1.2	—	1.2
Net income attributed to noncontrolling interest	(0.3)	—	(0.3)	(0.3)	—	(0.3)
Net income attributed to common shareholders	$ 239.0	$ —	$ 239.0	$ 1,199.9	$ —	$ 1,199.9
Effective tax rate	13.4 %		17.6 %	15.9 %		20.2 %

INCOME STATEMENT IMPACT OF FLOW THROUGH OF TAX REPAIRS

WEC Energy Group – The table below shows the fourth quarter and full year 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.

	Three Months Ended December 31, 2019			Year Ended December 31, 2019		
(in millions)	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	$ 1,947.5	$ 25.5	$ 1,973.0	$ 7,523.1	$ 101.8	$ 7,624.9
Operating expenses						
Cost of sales	693.0	—	693.0	2,678.8	—	2,678.8
Other operation and maintenance	601.4	(18.9)	582.5	2,184.8	(67.2)	2,117.6
Depreciation and amortization	236.2	—	236.2	926.3	—	926.3
Property and revenue taxes	53.8	—	53.8	201.8	—	201.8
Total operating expenses	1,584.4	(18.9)	1,565.5	5,991.7	(67.2)	5,924.5
Operating income	363.1	44.4	407.5	1,531.4	169.0	1,700.4
Equity in earnings of transmission affiliates	15.9	—	15.9	127.6	—	127.6
Other income, net	25.9	—	25.9	102.2	—	102.2
Interest expense	127.2	—	127.2	501.5	—	501.5
Other expense	(85.4)	—	(85.4)	(271.7)	—	(271.7)
Income before income taxes	277.7	44.4	322.1	1,259.7	169.0	1,428.7
Income tax expense	33.5	44.4	77.9	125.0	169.0	294.0
Net income	244.2	—	244.2	1,134.7	—	1,134.7
Preferred stock dividends of subsidiary	0.3	—	0.3	1.2	—	1.2
Net loss attributed to noncontrolling interests	—	—	—	0.5	—	0.5
Net income attributed to common shareholders	$ 243.9	$ —	$ 243.9	$ 1,134.0	$ —	$ 1,134.0
Effective tax rate	12.1 %		24.2 %	9.9 %		20.6 %

FOURTH QUARTER 2020 AND 2019 RESULTS — FACTORS AFFECTING EARNINGS

(in millions, except per share amounts)	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	**$ 279.4**	$ 266.8	$ 12.6	$ 44.4	$ (0.9)	$ (30.9)	
						20.5	Margin - Rate Adjustment [1]
						(17.2)	Margin - Weather
						(3.6)	Margin - Fuel
						(7.1)	All Other Margin
						(59.1)	Day to Day O&M
						39.9	O&M - Sharing
						(2.0)	All Other O&M
						(9.3)	Depreciation
						7.0	Other
						(30.9)	
Illinois	**85.2**	86.6	(1.4)	—	—	(1.4)	
						(2.1)	Day to Day O&M
						0.7	SMP and Other
						(1.4)	
Other States	**20.2**	21.4	(1.2)	—	—	(1.2)	Weather and Depreciation Partially Offset by Day-to-Day O&M of $2.3
Energy Infrastructure	**92.1**	92.3	(0.2)	—	—	(0.2)	
Corporate and Other	**(20.7)**	(17.4)	(3.3)	—	—	(3.3)	
Reconciling eliminations	**(85.7)**	(86.6)	0.9	—	0.9	—	
Operating income	**370.5**	363.1	7.4	44.4	—	(37.0)	
Equity in earnings of transmission affiliates	**43.0**	15.9	27.1	—	—	27.1	FERC Allowed ROE Matter / Capital Investment
Other income, net	**19.6**	25.9	(6.3)	—	—	(6.3)	Non-Service Benefit Costs
Interest expense	**117.9**	127.2	9.3	—	—	9.3	Lower Interest Rates
Loss on debt extinguishment	**38.4**	—	(38.4)	—	—	(38.4)	
Other expense	**(93.7)**	(85.4)	(8.3)	—	—	(8.3)	
Income before income taxes	**276.8**	277.7	(0.9)	44.4	—	(45.3)	
Income tax expense	**37.2**	33.5	(3.7)	(44.4)	—	40.7	Unprotected Deferred Tax Benefits / PTCs
Net income	**239.6**	244.2	(4.6)	—	—	(4.6)	
Preferred stock dividends of subsidiary	**0.3**	0.3	—	—	—	—	
Net income attributed to noncontrolling interests	**(0.3)**	—	(0.3)	—	—	(0.3)	
Net income attributed to common shareholders	**$ 239.0**	$ 243.9	$ (4.9)	$ —	$ —	$ (4.9)	
Earnings per share - diluted	**$ 0.76**	$ 0.77	$ (0.01)				
Weighted average common shares outstanding - diluted	**316.5**	316.7					

[1] Includes a $13.9 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.

FULL YEAR 2020 AND 2019 RESULTS — FACTORS AFFECTING EARNINGS

(in millions, except per share amounts)	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	**$ 1,332.8**	$ 1,189.6	$ 143.2	$ 169.0	$ (3.0)	$ (22.8)	
						48.0	Margin - Rate Adjustment [1]
						8.2	Margin – Fuel
						(18.4)	Margin - Weather
						(56.6)	All Other Margin
						(2.8)	Day to Day O&M
						39.9	O&M - Sharing
						(11.3)	All Other O&M
						(32.9)	Depreciation
						3.1	Other
						(22.8)	
Illinois	**330.8**	291.9	38.9	—	—	38.9	
						30.1	Day to Day O&M
						8.8	SMP and Other
						38.9	
Other States	**61.6**	65.3	(3.7)	—	—	(3.7)	Volumes and Depreciation Partially Offset by Day to Day O&M of $8.5
Energy Infrastructure	**366.3**	366.6	(0.3)	—	—	(0.3)	
Corporate and Other	**(40.8)**	(34.4)	(6.4)	—	—	(6.4)	
Reconciling eliminations	**(344.6)**	(347.6)	3.0	—	3.0	—	
Operating income	**1,706.1**	1,531.4	174.7	169.0	—	5.7	
Equity in earnings of transmission affiliates	**175.8**	127.6	48.2	—	—	48.2	FERC Allowed ROE Matter / Capital Investment
Other income, net	**79.5**	102.2	(22.7)	—	—	(22.7)	Rabbi Trust and Other
Interest expense	**493.7**	501.5	7.8	—	—	7.8	Lower Interest Rates
Loss on debt extinguishment	**38.4**	—	(38.4)	—	—	(38.4)	
Other expense	**(276.8)**	(271.7)	(5.1)	—	—	(5.1)	
Income before income taxes	**1,429.3**	1,259.7	169.6	169.0	—	0.6	
Income tax expense	**227.9**	125.0	(102.9)	(169.0)	—	66.1	Unprotected Deferred Tax Benefits / PTCs
Net income	**1,201.4**	1,134.7	66.7	—	—	66.7	
Preferred stock dividends of subsidiary	**1.2**	1.2	—	—	—	—	
Net (income) loss attributed to noncontrolling interests	**(0.3)**	0.5	(0.8)	—	—	(0.8)	
Net income attributed to common shareholders	**$ 1,199.9**	$ 1,134.0	$ 65.9	$ —	$ —	$ 65.9	
Earnings per share - diluted	**$ 3.79**	$ 3.58	$ 0.21				
Weighted average common shares outstanding - diluted	**316.5**	316.7					

[1] Includes a $77.0 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.

Summary of Regulated Operation and Maintenance Expense - Fourth Quarter

Wisconsin Segment

	Three Months Ended December 31		
(in millions)	2020	2019	B (W)
Operation and maintenance not included in the line items below	**$ 211.0**	$ 151.9	$ (59.1)
Transmission [1]	**129.8**	103.6	(26.2)
We Power [2]	**29.8**	33.9	4.1
Regulatory amortizations and other pass through expenses [3]	**34.8**	42.6	7.8
Transmission expense related to the flow through of tax repairs [4]	**—**	18.9	18.9
Transmission expense related to Tax Legislation [5]	**—**	15.1	15.1
Earnings sharing mechanisms	**21.6**	61.5	39.9
Other	**5.7**	7.0	1.3
Total other operation and maintenance	**$ 432.7**	$ 434.5	$ 1.8

(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 December 31, 2020 and 2019, $122.1 million and $119.7 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 December 31, 2020 and 2019, $30.4 million and $31.8 million, respectively, of 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 net 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

	Three Months Ended December 31		
(in millions)	2020	2019	B (W)
Operation and maintenance not included in the line items below	**$ 94.9**	$ 92.8	$ (2.1)
Riders [1]	**30.1**	29.1	(1.0)
Regulatory amortizations [1]	**(0.6)**	(0.4)	0.2
Other	**4.5**	2.6	(1.9)
Total other operation and maintenance	**$ 128.9**	$ 124.1	$ (4.8)

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

Other States Segment

(in millions)	Three Months Ended December 31 2020	2019	B (W)
Operation and maintenance not included in line items below	**$ 18.0**	$ 20.3	$ 2.3
Regulatory amortizations and other pass through expenses [(1)]	**6.3**	5.4	(0.9)
Other	**0.2**	(0.2)	(0.4)
Total other operation and maintenance	**$ 24.5**	$ 25.5	$ 1.0

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

Summary of Regulated Operation and Maintenance Expense - Full Year

Wisconsin Segment

	Year Ended December 31		
(in millions)	**2020**	**2019**	**B (W)**
Operation and maintenance not included in line items below	**$ 673.5**	$ 670.7	$ (2.8)
Transmission [1]	**518.0**	418.1	(99.9)
We Power [2]	**119.3**	140.9	21.6
Regulatory amortizations and other pass through expenses [3]	**138.6**	160.6	22.0
Transmission expense related to the flow through of tax repairs [4]	**—**	67.2	67.2
Transmission expense related to Tax Legislation [5]	**—**	65.3	65.3
Earnings sharing mechanisms	**21.6**	61.5	39.9
Other	**5.7**	7.0	1.3
Total other operation and maintenance	**$ 1,476.7**	1,591.3	$ 114.6

(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 2020 and 2019, $481.8 million and $486.7 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 2020 and 2019, $115.1 million and $134.8 million, respectively, of 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 net 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

	Year Ended December 31		
(in millions)	**2020**	**2019**	**B (W)**
Operation and maintenance not included in the line items below	**$ 332.1**	$ 362.2	$ 30.1
Riders [1]	**101.4**	97.5	(3.9)
Regulatory amortizations [1]	**(2.6)**	(1.5)	1.1
Other	**4.5**	2.9	(1.6)
Total other operation and maintenance	**$ 435.4**	$ 461.1	$ 25.7

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

Other States Segment

(in millions)	Year Ended December 31 2020	2019	B (W)
Operation and maintenance not included in line items below	**$ 67.9**	$ 76.4	$ 8.5
Regulatory amortizations and other pass through expenses [(1)]	**18.9**	22.0	3.1
Other	**0.2**	0.1	(0.1)
Total other operation and maintenance	**$ 87.0**	$ 98.5	$ 11.5

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

FOURTH QUARTER WEATHER AND VOLUMES Weather — Degree Days	2020	2019	Change
Wisconsin Gas and Wisconsin Electric [1]			
Heating (2,264 Normal)	**2,069**	2,355	(12.1)%
Cooling (11 Normal)	**7**	2	250.0 %
Wisconsin Public Service [2]			
Heating (2,596 Normal)	**2,495**	2,744	(9.1)%
Cooling (6 Normal)	**4**	2	100.0 %
Upper Michigan Energy Resources [3]			
Heating (2,939 Normal)	**2,852**	3,073	(7.2)%
Cooling (2 Normal)	**—**	—	— %
Peoples Gas and North Shore Gas [4]			
Heating (2,183 Normal)	**1,970**	2,308	(14.6)%
Minnesota Energy Resources [5]			
Heating (2,873 Normal)	**2,867**	3,113	(7.9)%
Michigan Gas [5]			
Heating (2,158 normal)	**2,055**	2,218	(7.3)%

[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 territories.

ELECTRIC UTILITY OPERATIONS - FOURTH QUARTER	MWh		
(in thousands)	Wisconsin 2020	Wisconsin 2019	Change
Customer class			
Residential	**2,741.6**	2,631.0	4.2 %
Small commercial and industrial [1]	**2,951.0**	3,129.6	(5.7)%
Large commercial and industrial [1]	**2,927.5**	3,047.3	(3.9)%
Other	**45.7**	44.6	2.5 %
Total retail [1]	**8,665.8**	8,852.5	(2.1)%
Wholesale	**777.0**	777.6	(0.1)%
Resale	**1,037.3**	1,753.8	(40.9)%
Total MWh sales [1]	**10,480.1**	11,383.9	(7.9)%

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

GAS UTILITY OPERATIONS - FOURTH QUARTER	Therms											
	2020				2019				Change			
(in millions)	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total
Customer class												
Residential	**356.6**	**265.8**	**99.5**	**721.9**	390.7	286.7	109.7	787.1	(8.7)%	(7.3)%	(9.3)%	(8.3)%
Commercial/industrial	**210.8**	**98.6**	**68.9**	**378.3**	240.1	112.5	81.0	433.6	(12.2)%	(12.4)%	(14.9)%	(12.8)%
Total retail	**567.4**	**364.4**	**168.4**	**1,100.2**	630.8	399.2	190.7	1,220.7	(10.1)%	(8.7)%	(11.7)%	(9.9)%
Transport	**377.8**	**233.7**	**199.1**	**810.6**	388.3	269.7	200.9	858.9	(2.7)%	(13.3)%	(0.9)%	(5.6)%
Total therms delivered	**945.2**	**598.1**	**367.5**	**1,910.8**	1,019.1	668.9	391.6	2,079.6	(7.3)%	(10.6)%	(6.2)%	(8.1)%

FULL YEAR WEATHER AND VOLUMES Weather — Degree Days	2020	2019	Change
Wisconsin Gas and Wisconsin Electric [1]			
Heating (6,618 Normal)	**6,092**	6,835	(10.9)%
Cooling (737 Normal)	**938**	727	29.0 %
Wisconsin Public Service [2]			
Heating (7,450 Normal)	**7,139**	7,723	(7.6)%
Cooling (515 Normal)	**660**	504	31.0 %
Upper Michigan Energy Resources [3]			
Heating (8,464 Normal)	**8,189**	8,971	(8.7)%
Cooling (330 Normal)	**425**	284	49.6 %
Peoples Gas and North Shore Gas [4]			
Heating (6,195 Normal)	**5,597**	6,479	(13.6)%
Minnesota Energy Resources [5]			
Heating (8,030 Normal)	**7,896**	8,728	(9.5)%
Michigan Gas [5]			
Heating (6,259 Normal)	**5,952**	6,347	(6.2)%

[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 territories.

ELECTRIC UTILITY OPERATIONS - FULL YEAR *(in thousands)*	MWh Wisconsin 2020	Wisconsin 2019	Change
Customer class			
Residential	**11,523.8**	10,918.6	5.5 %
Small commercial and industrial [1]	**12,250.0**	12,861.0	(4.8)%
Large commercial and industrial [1]	**11,661.8**	12,601.6	(7.5)%
Other	**158.7**	164.8	(3.7)%
Total retail [1]	**35,594.3**	36,546.0	(2.6)%
Wholesale	**3,088.4**	3,314.3	(6.8)%
Resale	**6,189.9**	6,006.0	3.1 %
Total MWh sales [1]	**44,872.6**	45,866.3	(2.2)%

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

GAS UTILITY OPERATIONS - FULL YEAR	Therms											
	2020				2019				Change			
(in millions)	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total	Wisconsin	Illinois	Other States	Total
Customer class												
Residential	**1,090.8**	**832.6**	**309.6**	**2,233.0**	1,195.6	904.8	345.2	2,445.6	(8.8)%	(8.0)%	(10.3)%	(8.7)%
Commercial/industrial	**656.7**	**326.1**	**200.5**	**1,183.3**	740.9	368.6	238.2	1,347.7	(11.4)%	(11.5)%	(15.8)%	(12.2)%
Total retail	**1,747.5**	**1,158.7**	**510.1**	**3,416.3**	1,936.5	1,273.4	583.4	3,793.3	(9.8)%	(9.0)%	(12.6)%	(9.9)%
Transport	**1,357.7**	**785.7**	**728.5**	**2,871.9**	1,426.1	896.6	777.1	3,099.8	(4.8)%	(12.4)%	(6.3)%	(7.4)%
Total therms delivered	**3,105.2**	**1,944.4**	**1,238.6**	**6,288.2**	3,362.6	2,170.0	1,360.5	6,893.1	(7.7)%	(10.4)%	(9.0)%	(8.8)%

RETAIL ELECTRIC SALES VOLUME INFORMATION
FOURTH QUARTER

DELIVERED ELECTRIC VOLUMES – TOTAL WISCONSIN SEGMENT	Three Months Ended December 31	
	2020 Actual vs. 2019 Actual	2020 Normalized vs. 2019 Normalized [1]
Residential	4.2 %	5.7 %
Small commercial/industrial	(5.7)%	(4.8)%
Large commercial/industrial (ex. mine)	(4.7)%	(4.6)%
Total large commercial/industrial	(3.9)%	(3.8)%
Total retail sales volumes	(2.1)%	(1.3)%
Total retail sales volumes (ex. mine)	(2.3)%	(1.4)%

RETAIL ELECTRIC SALES VOLUME INFORMATION
FULL YEAR

DELIVERED ELECTRIC VOLUMES – TOTAL WISCONSIN SEGMENT	Year Ended December 31	
	2020 Actual vs. 2019 Actual	2020 Normalized vs. 2019 Normalized [1], [2]
Residential	5.5 %	4.1 %
Small commercial/industrial	(4.8)%	(5.1)%
Large commercial/industrial (ex. mine)	(6.5)%	(7.1)%
Total large commercial/industrial	(7.5)%	(8.0)%
Total retail sales volumes	(2.6)%	(3.4)%
Total retail sales volumes (ex. mine)	(2.1)%	(2.9)%

(1) Normalized — 20 year average weather adjusted
(2) An adjustment for leap year in 2020 is factored into these percentages.

The table below shows the change in weather normalized sales volumes for the year ended December 31, 2020, compared to the same period in 2019, broken out by quarter.

FULL YEAR RETAIL ELECTRIC SALES VOLUME INFORMATION - 2020 Normalized vs. 2019 Normalized Volumes by Quarter

	Q1	Q2	Q3	Q4	YTD
Residential	(0.4)%	7.3 %	4.2 %	5.7 %	4.1 %
Small commercial/industrial	(1.4)%	(11.3)%	(3.3)%	(4.8)%	(5.1)%
Large commercial/industrial (ex. mine)	(4.1)%	(14.1)%	(5.4)%	(4.6)%	(7.1)%
Total retail sales volumes (ex. mine)	(2.0)%	(6.9)%	(1.5)%	(1.4)%	(2.9)%

RETAIL ELECTRIC SALES FORECAST

DELIVERED ELECTRIC VOLUMES – TOTAL WISCONSIN SEGMENT	Annual	
	2021 Forecast vs. 2020 Normalized [1], [2]	2021 Forecast vs. 2019 Normalized [1], [2]
Residential	(1.4)%	2.6 %
Small commercial/industrial	2.4 %	(2.9)%
Large commercial/industrial (ex. mine)	3.4 %	(3.9)%
Total large commercial/industrial	4.7 %	(3.7)%
Total retail sales volumes	1.9 %	(1.5)%
Total retail sales volumes (ex. mine)	1.4 %	(1.5)%

(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 2021 Forecast vs. 2020 Normalized percentages.

RETAIL NATURAL GAS SALES VOLUME INFORMATION
FOURTH QUARTER

DELIVERED NATURAL GAS VOLUMES – TOTAL WISCONSIN SEGMENT	Three Months Ended December 31	
	2020 Actual vs. 2019 Actual	2020 Normalized vs. 2019 Normalized [1]
Residential	(8.7)%	1.8 %
Total commercial/industrial	(12.2)%	(3.8)%
Total retail sales volumes	(10.0)%	(0.3)%
Transport (w/o power generation)	(4.6)%	(2.5)%
Total sales volumes (w/o power generation)	(8.0)%	(1.1)%

RETAIL NATURAL GAS SALES VOLUME INFORMATION
FULL YEAR

DELIVERED NATURAL GAS VOLUMES – TOTAL WISCONSIN SEGMENT	Year Ended December 31	
	2020 Actual vs. 2019 Actual	2020 Normalized vs. 2019 Normalized [1], [2]
Residential	(8.8)%	0.6 %
Total commercial/industrial	(11.4)%	(3.9)%
Total retail sales volumes	(9.8)%	(1.2)%
Transport (w/o power generation)	(5.3)%	(4.1)%
Total sales volumes (w/o power generation)	(7.9)%	(2.4)%

RETAIL NATURAL GAS SALES FORECAST

DELIVERED NATURAL GAS VOLUMES – TOTAL WISCONSIN SEGMENT	Annual	
	2021 Forecast vs. 2020 Normalized [1], [2], [3]	2021 Forecast vs. 2019 Normalized [1], [3]
Residential	0.5 %	1.1 %
Total commercial/industrial	0.8 %	(3.2)%
Total retail sales volumes	0.6 %	(0.6)%
Transport (w/o power generation)	(0.8)%	(4.9)%
Total sales volumes (w/o power generation)	— %	(2.4)%

[1] Normalized — 20 year average weather adjusted

[2] An adjustment for leap year in 2020 is factored into these percentages.

[3] Actual results may differ materially from these forecasts because of seasonal, economic, and other factors.

OTHER FINANCIAL INFORMATION
FULL YEAR 2020 AND 2019

EBIT and EBITDA	**2020**	**2019**
(in millions)	**Actual**	**Actual**
Net income attributed to common shareholders	**$ 1,199.9**	$ 1,134.0
Income tax expense	**227.9**	125.0
Interest expense	**493.7**	501.5
Loss on debt extinguishment	**38.4**	—
EBIT	**1,959.9**	1,760.5
Depreciation and amortization	**975.9**	926.3
EBITDA	**$ 2,935.8**	$ 2,686.8

Capitalization Structure	**December 31, 2020**	
(in millions)	**Actual**	**Adjusted [1]**
Common equity	**$ 10,469.7**	$ 10,719.7
Preferred stock of subsidiary	**30.4**	30.4
Long-term debt (including current maturities)	**12,513.9**	12,263.9
Short-term debt	**1,776.9**	1,776.9
Total capitalization	**$ 24,790.9**	$ 24,790.9
Total debt	**$ 14,290.8**	$ 14,040.8
Ratio of debt to total capitalization	**57.6 %**	56.6 %

Capitalization Structure	**December 31, 2019**	
(in millions)	**Actual**	**Adjusted [1]**
Common equity	$ 10,113.4	$ 10,363.4
Preferred stock of subsidiary	30.4	30.4
Long-term debt (including current maturities)	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 December 31, 2020 and 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 equity and $250.0 million to long-term debt, similar to how the majority of rating agencies treat them.

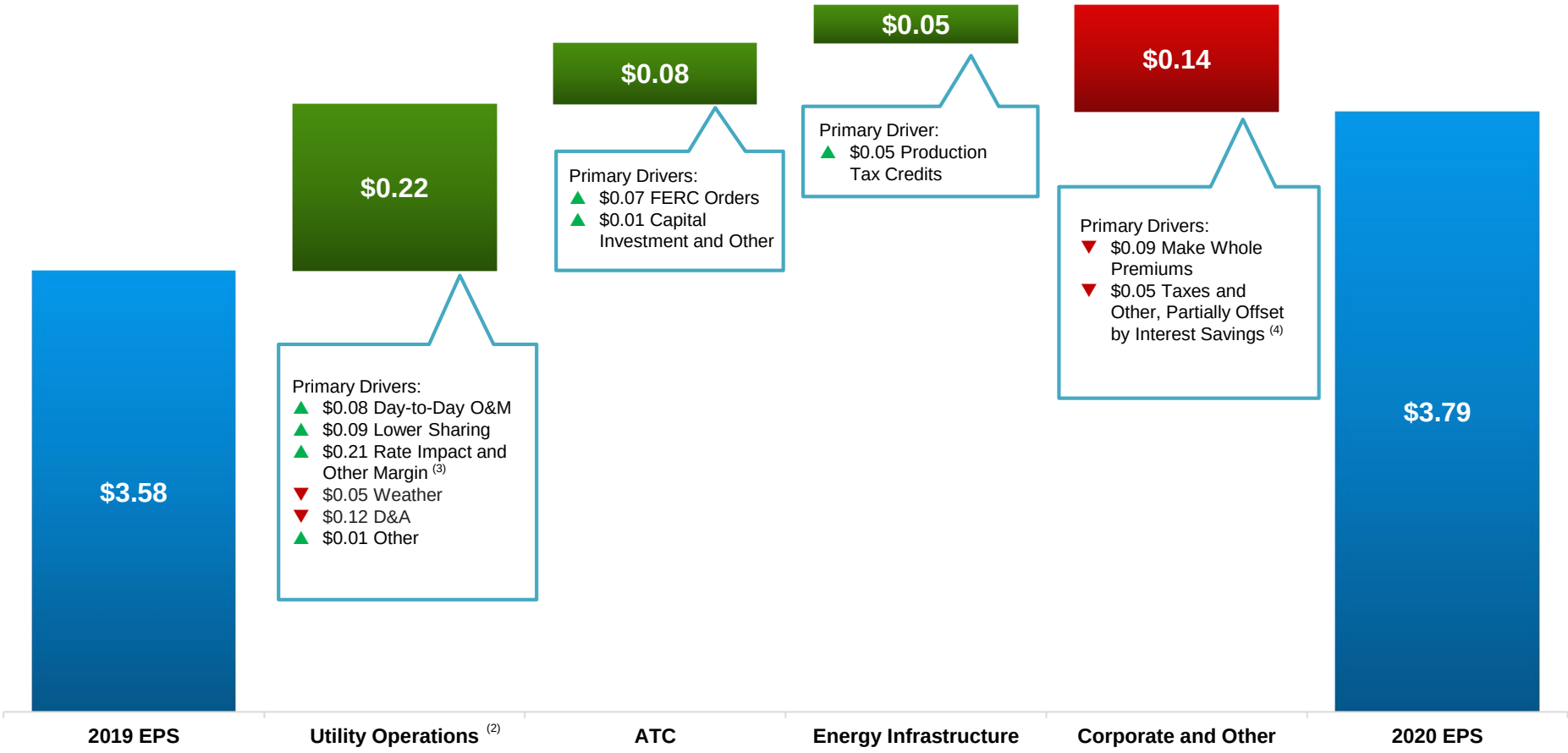
Ratio of FFO to Debt	
(in millions, except percent)	**2020**
Net cash provided by operating activities	**$ 2,196.0**
Total Debt	**$ 14,290.8**
Ratio of FFO to Debt	**15.4 %**

Ratio of FFO to Debt - Adjusted	
(in millions, except percent)	**2020**
Net cash provided by operating activities	**$ 2,196.0**
Add: Employer contributions to qualified pension plans	**100.0**
Add: Accounts receivable arrears attributed to COVID-19	**85.0**
Net cash provided by operating activities - adjusted	**$ 2,381.0**
Total Debt	**$ 14,290.8**
Less: Employer contributions to qualified pension plans	**100.0**
Less: Accounts receivable arrears attributed to COVID-19	**85.0**
Total Debt - Adjusted	**$ 14,105.8**
Ratio of FFO to Debt - Adjusted	**16.9 %**

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+
Integrys Holding, Inc.			
Senior unsecured debt	BBB+	Baa1	BBB+
Junior subordinated notes	BBB	Baa2	BBB-

Full Year EPS Earnings Drivers [1]



(1) All amounts (other than actual year-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) Primarily includes rate relief and additional capital investment of $0.33, fuel of $0.02, sales impacts from the COVID-19 pandemic of ($0.07), and wholesale and other of ($0.07).
(4) Primarily includes interest savings of $0.04, tax items of ($0.04), Rabbi Trust performance of ($0.02), and other of ($0.03).