# MINNESOTA ENERGY RESOURCES CORPORATION

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

**FINANCIAL STATEMENTS**

**For the Quarter Ended September 30, 2021**

## MINNESOTA ENERGY RESOURCES CORPORATION

| CONDENSED INCOME STATEMENTS (Unaudited) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(in millions)* | 2021 | 2020 | 2021 | 2020 |
| **Operating revenues** | **$ 33.0** | $ 30.9 | **$ 255.7** | $ 172.8 |
| | | | | |
| **Operating expenses** | | | | |
| Cost of sales | **15.1** | 12.8 | **167.5** | 85.3 |
| Other operation and maintenance | **11.6** | 12.7 | **39.8** | 39.2 |
| Depreciation and amortization | **5.2** | 4.7 | **15.4** | 13.2 |
| Property and revenue taxes | **2.9** | 2.8 | **8.6** | 8.6 |
| **Total operating expenses** | **34.8** | 33.0 | **231.3** | 146.3 |
| | | | | |
| **Operating income (loss)** | **(1.8)** | (2.1) | **24.4** | 26.5 |
| | | | | |
| Other income, net | **—** | — | **0.2** | 0.1 |
| Interest expense | **1.5** | 1.5 | **4.6** | 4.1 |
| **Other expense** | **(1.5)** | (1.5) | **(4.4)** | (4.0) |
| | | | | |
| Income (loss) before income taxes | **(3.3)** | (3.6) | **20.0** | 22.5 |
| Income tax expense (benefit) | **(0.9)** | (1.0) | **5.4** | 6.1 |
| **Net income (loss)** | **$ (2.4)** | $ (2.6) | **$ 14.6** | $ 16.4 |

## MINNESOTA ENERGY RESOURCES CORPORATION

| CONDENSED BALANCE SHEETS (Unaudited)<br>*(in millions, except share amounts)* | September 30<br>2021 | December 31<br>2020 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | **$ 0.3** | $ 0.2 |
| Accounts receivable and unbilled revenues, net of reserves of $3.8 and $3.5, respectively | **20.1** | 45.7 |
| Accounts receivable from related parties | **1.5** | 6.4 |
| Materials, supplies, and inventories: | | |
| Natural gas in storage | **24.4** | 9.1 |
| Materials and supplies | **0.3** | 0.2 |
| Derivative asset | **10.2** | 0.7 |
| Prepaid taxes | **13.2** | 9.6 |
| Other | **2.3** | 3.6 |
| **Current assets** | **72.3** | 75.5 |
| | | |
| **Long-term assets** | | |
| Property, plant, and equipment, net of accumulated depreciation and amortization of $183.4 and $174.8, respectively | **587.1** | 556.1 |
| Regulatory assets | **88.0** | 26.7 |
| Goodwill | **127.7** | 127.7 |
| Other | **15.9** | 14.5 |
| **Long-term assets** | **818.7** | 725.0 |
| **Total assets** | **$ 891.0** | $ 800.5 |
| | | |
| **Liabilities and Equity** | | |
| **Current liabilities** | | |
| Short-term debt to parent | **$ 77.0** | $ 38.2 |
| Accounts payable | **25.3** | 31.7 |
| Accounts payable to related parties | **3.8** | 5.9 |
| Accrued taxes | **11.5** | 13.5 |
| Customer credit balances | **11.3** | 12.0 |
| Amounts refundable to customers | **5.9** | 25.1 |
| Other | **15.9** | 11.0 |
| **Current liabilities** | **150.7** | 137.4 |
| | | |
| **Long-term liabilities** | | |
| Long-term debt | **169.1** | 169.0 |
| Deferred income taxes | **139.2** | 109.3 |
| Regulatory liabilities | **102.4** | 93.8 |
| Other | **4.9** | 5.0 |
| **Long-term liabilities** | **415.6** | 377.1 |
| | | |
| Commitments and contingencies | | |
| | | |
| **Common shareholder's equity** | | |
| Common stock – without par value, 1,000 shares authorized; 100 shares issued and outstanding | **209.0** | 184.9 |
| Retained earnings | **115.7** | 101.1 |
| **Common shareholder's equity** | **324.7** | 286.0 |
| **Total liabilities and equity** | **$ 891.0** | $ 800.5 |

## MINNESOTA ENERGY RESOURCES CORPORATION

| CONDENSED STATEMENTS OF CASH FLOWS (Unaudited) | Nine Months Ended September 30 | |
|---|---|---|
| *(in millions)* | **2021** | **2020** |
| **Operating activities** | | |
| Net income | **$ 14.6** | $ 16.4 |
| Reconciliation to cash provided by (used in) operating activities | | |
| Depreciation and amortization | **15.4** | 13.2 |
| Deferred income taxes, net | **29.3** | 7.0 |
| Change in – | | |
| Accounts receivable and unbilled revenues | **30.5** | 30.0 |
| Materials, supplies, and inventories | **(15.4)** | (2.8) |
| Prepaid taxes | **(3.6)** | 0.7 |
| Other current assets | **1.3** | 2.6 |
| Accounts payable | **(9.3)** | (21.2) |
| Amounts refundable to customers | **(19.2)** | 8.0 |
| Other current liabilities | **2.8** | (0.9) |
| Deferral of extraordinary natural gas costs | **(65.0)** | — |
| Other, net | **(0.3)** | (1.6) |
| **Net cash provided by (used in) operating activities** | **(18.9)** | 51.4 |
| | | |
| **Investing activities** | | |
| Capital expenditures | **(42.1)** | (47.9) |
| Other, net | **(1.7)** | — |
| **Net cash used in investing activities** | **(43.8)** | (47.9) |
| | | |
| **Financing activities** | | |
| Short-term debt to parent, net | **38.8** | (15.4) |
| Issuance of long-term debt | **—** | 50.0 |
| Equity contribution from parent | **24.0** | 23.0 |
| Payment of dividends to parent | **—** | (61.0) |
| Other, net | **—** | (0.4) |
| **Net cash provided by (used in) financing activities** | **62.8** | (3.8) |
| | | |
| **Net change in cash and cash equivalents** | **0.1** | (0.3) |
| Cash and cash equivalents at beginning of period | **0.2** | 0.6 |
| **Cash and cash equivalents at end of period** | **$ 0.3** | $ 0.3 |
| | | |
| **Supplemental cash flow information** | | |
| Cash paid for interest | **$ 5.1** | $ 4.5 |
| Cash received for income taxes, net | **(20.3)** | (1.7) |