NORTH SHORE GAS COMPANY

ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025

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GLOSSARY OF TERMS AND ABBREVIATIONS

The abbreviations and terms set forth below are used throughout this report and have the meanings assigned to them below:

Affiliates	
Integrys	Integrys Holding, Inc.
PELLC	Peoples Energy, LLC
PGL	The Peoples Gas Light and Coke Company
WBS	WEC Business Services LLC
WEC Energy Group	WEC Energy Group, Inc.

Federal and State Regulatory Agencies	
FERC	Federal Energy Regulatory Commission
ICC	Illinois Commerce Commission
IRS	United States Internal Revenue Service

Accounting Terms	
ARO	Asset Retirement Obligation
ASU	Accounting Standards Update
GAAP	Generally Accepted Accounting Principles
LIFO	Last-In, First-Out
OPEB	Other Postretirement Employee Benefits

Environmental Terms	
GHG	Greenhouse Gas
PCB	Polychlorinated Biphenyl

Measurements	
Dth	Dekatherm

Other Terms and Abbreviations	
AIA	Affiliated Interest Agreement
GCRM	Gas Cost Recovery Mechanism
ITC	Investment Tax Credit
Omnibus Stock Incentive Plan	WEC Energy Group Omnibus Stock Incentive Plan, Amended and Restated, Effective as of May 6, 2021
ROE	Return on Equity
UEA	Uncollectible Expense Adjustment

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

A. INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of North Shore Gas Company:

Opinion

We have audited the financial statements of North Shore Gas Company (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2025, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
March 19, 2026

NORTH SHORE GAS COMPANY

B. INCOME STATEMENTS

Year Ended December 31 *(in millions)*	2025	2024	2023
Operating revenues	**$ 225.1**	$ 196.9	$ 200.9
Operating expenses			
Cost of natural gas	**109.9**	85.0	96.1
Other operation and maintenance	**47.2**	43.6	46.9
Depreciation and amortization	**21.8**	21.2	20.5
Property and revenue taxes	**4.0**	2.4	3.5
Total operating expenses	**182.9**	152.2	167.0
Operating income	**42.2**	44.7	33.9
Other income, net	**1.4**	1.4	1.2
Interest expense	**8.1**	8.3	8.0
Other expense	**(6.7)**	(6.9)	(6.8)
Income before income taxes	**35.5**	37.8	27.1
Income tax expense	**9.7**	10.4	7.2
Net income	**$ 25.8**	$ 27.4	$ 19.9

The accompanying Notes to Financial Statements are an integral part of these financial statements.

NORTH SHORE GAS COMPANY

C. BALANCE SHEETS

At December 31 *(in millions, except share amounts)*	2025	2024
Assets		
Current assets		
Cash and cash equivalents	**$ 0.1**	$ 0.2
Accounts receivable and unbilled revenues, net of reserves of $2.0 and $1.7, respectively	**57.3**	47.1
Accounts receivable from related parties	**2.8**	1.9
Materials, supplies, and inventories	**25.1**	26.7
Prepayments	**1.6**	3.2
Amounts recoverable from customers	**1.4**	4.7
Other	**2.6**	1.4
Current assets	**90.9**	85.2
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation and amortization of $291.7 and $278.5, respectively	**575.6**	562.1
Regulatory assets	**51.0**	56.2
OPEB assets	**17.6**	16.0
Other	**1.9**	1.4
Long-term assets	**646.1**	635.7
Total assets	**$ 737.0**	$ 720.9
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term debt to related party	**$ 30.1**	$ 32.3
Accounts payable	**25.3**	25.7
Accounts payable to related parties	**6.0**	5.4
Accrued taxes	**5.5**	3.2
Customer credit balances	**8.6**	8.9
Other	**10.6**	7.9
Current liabilities	**86.1**	83.4
Long-term liabilities		
Long-term debt	**176.3**	176.1
Deferred income taxes	**92.7**	80.0
Regulatory liabilities	**73.5**	72.5
Environmental remediation liabilities	**31.4**	31.3
Pension obligations	**14.0**	11.4
AROs	**27.4**	27.0
Other	**5.9**	5.3
Long-term liabilities	**421.2**	403.6
Commitments and contingencies (Note 16)		
Shareholder's equity		
Common stock, without par value; 5,000,000 shares authorized; 3,625,887 shares issued and outstanding	**95.0**	95.0
Retained earnings	**134.7**	138.9
Shareholder's equity	**229.7**	233.9
Total liabilities and shareholder's equity	**$ 737.0**	$ 720.9

The accompanying Notes to Financial Statements are an integral part of these financial statements.

NORTH SHORE GAS COMPANY

D. STATEMENTS OF CASH FLOWS

Year Ended December 31 *(in millions)*	2025	2024	2023
Operating activities			
Net income	**$ 25.8**	$ 27.4	$ 19.9
Reconciliation to cash provided by operating activities			
Depreciation and amortization	**21.8**	21.2	20.5
Deferred income taxes and ITCs, net	**11.9**	1.4	6.3
Settlement of AROs	**(0.5)**	(0.4)	(0.4)
Manufactured gas plant remediation costs	**(2.4)**	(2.8)	(2.3)
Change in –			
Accounts receivable and unbilled revenues, net	**(11.1)**	(6.5)	18.0
Materials, supplies, and inventories	**1.6**	(1.6)	(8.0)
Amounts recoverable from customers	**3.3**	(2.0)	0.5
Prepayments	**1.6**	(0.7)	(0.7)
Collateral on deposit	**(1.5)**	7.3	(1.7)
Accounts payable	**0.9**	(1.9)	(12.6)
Customer credit balances	**(0.3)**	(3.4)	1.0
Other current liabilities	**4.3**	(0.2)	(4.0)
Other, net	**11.2**	0.3	1.3
Net cash provided by operating activities	**66.6**	38.1	37.8
Investing activities			
Capital expenditures	**(35.0)**	(35.5)	(37.4)
Other, net	**0.5**	—	(0.5)
Net cash used in investing activities	**(34.5)**	(35.5)	(37.9)
Financing activities			
Issuance of long-term debt	**—**	—	20.0
Short-term debt to related parties, net	**(2.2)**	4.4	(18.5)
Payment of dividends to parent	**(30.0)**	(7.0)	(11.0)
Equity contribution from parent	**—**	—	10.0
Other, net	**—**	—	(0.2)
Net cash provided by (used in) financing activities	**(32.2)**	(2.6)	0.3
Net change in cash and cash equivalents	**(0.1)**	—	0.2
Cash and cash equivalents at beginning of year	**0.2**	0.2	—
Cash and cash equivalents at end of year	**$ 0.1**	$ 0.2	$ 0.2

The accompanying Notes to Financial Statements are an integral part of these financial statements.

NORTH SHORE GAS COMPANY

E. STATEMENTS OF EQUITY

(in millions)	Common Stock	Retained Earnings	Total Common Shareholder's Equity
Balance at December 31, 2022	$ 85.0	$ 109.6	$ 194.6
Net income	—	19.9	19.9
Equity contribution from parent	10.0	—	10.0
Dividends to parent	—	(11.0)	(11.0)
Balance at December 31, 2023	$ 95.0	$ 118.5	$ 213.5
Net income	—	27.4	27.4
Dividends to parent	—	(7.0)	(7.0)
Balance at December 31, 2024	$ 95.0	$ 138.9	$ 233.9
Net income	**—**	**25.8**	**25.8**
Dividends to parent	**—**	**(30.0)**	**(30.0)**
Balance at December 31, 2025	**$ 95.0**	**$ 134.7**	**$ 229.7**

The accompanying Notes to Financial Statements are an integral part of these financial statements.

F. NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations—As used in these notes, the term "financial statements" includes the income statements, balance sheets, statements of cash flows, and statements of equity, unless otherwise noted.

We are a natural gas utility company that purchases, stores, distributes, sells, and transports natural gas to customers in the northern suburbs of Chicago, Illinois. We are subject to the jurisdiction of, and regulation by, the ICC, which has general supervisory and regulatory powers over public utilities in Illinois. In addition, we are subject to the standards of conduct and affiliate rules of the FERC. We are wholly owned by PELLC, which is an indirect wholly owned subsidiary of WEC Energy Group.

(b) Basis of Presentation—We prepare our financial statements in conformity with GAAP. We make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

(c) Cash and Cash Equivalents—Cash and cash equivalents include marketable debt securities with an original maturity of three months or less.

(d) Operating Revenues—The following discussion includes our significant accounting policies related to operating revenues. For additional required disclosures on disaggregation of operating revenues, see Note 3, Operating Revenues.

Revenues from Contracts with Customers

Natural Gas Utility Operating Revenues

We recognize natural gas utility operating revenues under requirements contracts with residential, commercial and industrial, and transportation customers served under our tariffs. Tariffs provide our customers with the standard terms and conditions, including rates, related to the services offered. Requirements contracts provide for the delivery of as much natural gas as the customer needs. These requirements contracts represent discrete deliveries of natural gas and constitute a single performance obligation satisfied over time. Our performance obligation is both created and satisfied with the transfer of control of natural gas upon delivery to the customer. For most of our customers, natural gas is delivered and consumed by the customer simultaneously. A performance obligation can be bundled to consist of both the sale and the delivery of the natural gas commodity. Our customers can purchase the commodity from a third party. In this case, the performance obligation only includes the delivery of the natural gas to the customer.

The transaction price of the performance obligations for our natural gas customers is valued using the rates, charges, terms, and conditions of service included in our tariffs, which have been approved by the ICC. These rates often have a fixed component customer charge and a usage-based variable component charge. We recognize revenue for the fixed component customer charge monthly using a time-based output method. We recognize revenue for the usage-based variable component charge using an output method based on natural gas delivered each month.

Our tariffs include various rate mechanisms that allow us to recover or refund changes in prudently incurred costs from rate case-approved amounts. Our rates include a one-for-one recovery mechanism for natural gas commodity costs. Under normal circumstances, we defer any difference between actual natural gas costs incurred and costs recovered through rates as a current asset or liability. The deferred balance is returned to or recovered from customers at intervals throughout the year.

In addition, our rates include a rider for cost recovery or refund of uncollectible expense based on the difference between actual uncollectible write-offs and the amounts recovered in rates. Our rates also include riders for cost recovery of both environmental cleanup costs and energy conservation and management program costs.

Consistent with the timing of when we recognize revenue, customer billings generally occur on a monthly basis, with payments typically due in full within 30 days.

Other Operating Revenues

Alternative Revenues

Alternative revenues are created from programs authorized by the ICC that allow us to record additional revenues by adjusting rates in the future, usually as a surcharge applied to future billings, in response to past activities or completed events. Alternative revenue programs allow compensation for the effects of weather abnormalities and other external factors. We record alternative revenues when the regulator-specified conditions for recognition have been met. We reverse these alternative revenues as the customer is billed, at which time this revenue is presented as revenues from contracts with customers.

Our only alternative revenue program is our decoupling mechanism, which allows us to recover or refund the differences between actual and authorized margins for certain customer classes.

(e) Credit Losses—The following discussion includes our significant accounting policies related to credit losses. For additional required disclosures on credit losses, see Note 4, Credit Losses.

Our exposure to credit losses is related to our accounts receivable and unbilled revenue balances, which are generated from the sale of natural gas to residential, commercial and industrial, and transportation customers served under our regulated utility tariffs.

We evaluate the collectability of our accounts receivable and unbilled revenue balances considering a combination of factors. For some of our larger customers and also in circumstances where we become aware of a specific customer's inability to meet its financial obligations to us, we record a specific allowance for credit losses against amounts due in order to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we use the accounts receivable aging method to calculate an allowance for credit losses. Using this method, we classify accounts receivable into different aging buckets and calculate a reserve percentage for each aging bucket based upon historical loss rates. The calculated reserve percentages are updated on at least an annual basis, in order to ensure recent macroeconomic, political, and regulatory trends are captured in the calculation, to the extent possible. Risks identified that we do not believe are reflected in the calculated reserve percentages, are assessed on a quarterly basis to determine whether further adjustments are required.

We monitor our ongoing credit exposure through active review of counterparty accounts receivable balances against contract terms and due dates. Our activities include timely account reconciliation, dispute resolution and payment confirmation. To the extent possible, we work with customers with past due balances to negotiate payment plans, but will disconnect customers for non-payment as allowed by the ICC if necessary, and employ collection agencies and legal counsel to pursue recovery of defaulted receivables. For our larger customers, detailed credit review procedures may be performed in advance of any sales being made. We sometimes require letters of credit, parental guarantees, prepayments or other forms of credit assurance from our larger customers to mitigate credit risk.

(f) Materials, Supplies, and Inventories—Our inventory as of December 31 consisted of:

(in millions)	2025	2024
Natural gas in storage, primarily at LIFO	**$ 20.2**	$ 22.4
Materials and supplies	**4.3**	3.7
Liquid propane	**0.6**	0.6
Total	**$ 25.1**	$ 26.7

Inventories consist of natural gas in storage, materials and supplies, and liquid propane. Materials and supplies and liquid propane inventory are priced at average cost. We price natural gas storage injections at the calendar year average of the costs of natural gas supply purchased. Withdrawals from storage are priced on the LIFO cost method. The estimated replacement cost of our natural gas in inventory at December 31, 2025 and 2024, exceeded the LIFO cost by $14.7 million and $12.0 million, respectively. In calculating these replacement amounts, we used a Chicago city-gate natural gas price per Dth of $3.36 at December 31, 2025, and $3.10 at December 31, 2024.

(g) Regulatory Assets and Liabilities—The economic effects of regulation can result in regulated companies recording costs and revenues that are allowed in the ratemaking process in a period different from the period they would have been recognized by a nonregulated company. When this occurs, regulatory assets and liabilities are recorded on the balance sheet. Regulatory assets represent deferred costs probable of recovery from customers that would have otherwise been charged to expense. Regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or future costs already collected from customers in rates.

The recovery or refund of regulatory assets and liabilities is based on specific periods determined by the ICC or occurs over the normal operating period of the related assets and liabilities. If a previously recorded regulatory asset is no longer probable of recovery, the regulatory asset is reduced to the amount considered probable of recovery, and the reduction is charged to expense in the current period. See Note 5, Regulatory Assets and Liabilities, for more information.

(h) Property, Plant, and Equipment—We record property, plant, and equipment at cost. Cost includes material, labor, overhead, and capitalized interest. Additions to and significant replacements of property are charged to property, plant, and equipment at cost; minor items are charged to other operation and maintenance expense. The cost of depreciable utility property less salvage value is charged to accumulated depreciation when property is retired.

We record straight-line depreciation expense over the estimated useful life of utility property using depreciation rates approved by the ICC. Annual utility composite depreciation rates were 2.49%, 2.49%, and 2.46% in 2025, 2024 and 2023, respectively.

We capitalize certain costs related to software developed or obtained for internal use and record these costs to amortization expense over the estimated useful life of the related software, which ranges from 3 to 15 years. If software is retired prior to being fully amortized, the difference is recorded as a loss on the income statement.

Third parties reimburse us for all or a portion of expenditures for certain capital projects. Such contributions in aid of construction costs are recorded as a reduction to property, plant, and equipment.

See Note 6, Property, Plant, and Equipment, for more information.

(i) Asset Impairment—Intangible assets with indefinite lives are subject to an annual impairment test. Interim impairment tests are performed when impairment indicators are present. At December 31, 2025 and 2024, we had $0.7 million of indefinite-lived intangible assets consisting of spectrum frequencies. The spectrum frequencies enable us to transmit data and voice communications over a wavelength dedicated to us throughout our service territory. These indefinite-lived intangible assets are included in other long-term assets on our balance sheets. An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its fair value. An impairment loss is measured as the excess of the carrying amount of the intangible asset over its fair value. No impairment losses were recorded for our indefinite-lived intangible assets during the years ended December 31, 2025, 2024, and 2023.

We periodically assess the recoverability of certain long-lived assets when factors indicate the carrying value of such assets may be impaired or such assets are planned to be sold. Long-lived assets that would be subject to an impairment assessment generally include any assets within regulated operations that may not be fully recovered from our customers as a result of regulatory decisions that will be made in the future. An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its fair value. The carrying amount of an asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. An impairment loss is measured as the excess of the carrying amount of the asset over its fair value.

We assess the likelihood of a disallowance of part of the cost of recently completed plant by considering factors such as applicable regulatory environment changes, our own recent rate orders, as well as recent rate orders of other regulated entities in similar jurisdictions. When it becomes probable that part of the cost of recently completed plant will be disallowed for rate-making purposes, we assess whether a reasonable estimate of the amount of the disallowance can be made. The estimated amount of the probable disallowance will then be deducted from the reported cost of the plant and recognized as an impairment loss.

See Note 6, Property, Plant, and Equipment for information on an impairment loss we recorded on our income statement during the year ended December 31, 2023.

(j) Asset Retirement Obligations—We recognize, at fair value, legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and normal operation of the assets. An ARO liability is recorded, when incurred, for these obligations as long as the fair value can be reasonably estimated, even if the timing or method of settling the obligation is unknown. The associated retirement costs are capitalized as part of the related long-lived asset and are depreciated over the useful life of the asset. The ARO liabilities are accreted each period using the credit-adjusted risk-free interest rates associated with the expected settlement dates of the AROs. These rates are determined when the obligations are incurred. Subsequent changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the associated capitalized retirement costs. We recognize regulatory assets or liabilities for the timing differences between when we recover an ARO in rates and when we recognize the associated retirement costs. See Note 7, Asset Retirement Obligations, for more information.

(k) Stock-Based Compensation—Our employees participate in the WEC Energy Group stock-based compensation plans. In accordance with the WEC Energy Group shareholder approved Omnibus Stock Incentive Plan, WEC Energy Group provides long-term incentives through its equity interests to its non-employee directors, officers, and other key employees. The plan provides for the granting of stock options, restricted stock, performance shares, and other stock-based awards. Awards may be paid in WEC Energy Group common stock, cash, or a combination thereof. In addition to those shares of WEC Energy Group common stock that were subject to awards outstanding as of May 6, 2021, when the plan was last approved by shareholders, 9.0 million shares of WEC Energy Group common stock were reserved for issuance under the plan. Officers and other key employees are also granted performance units under the WEC Energy Group Performance Unit Plan. All grants of performance units are settled in cash.

Stock-based compensation expense is allocated to us based on the outstanding awards held by our employees and our allocation of labor costs. For the years ended December 31, 2025, 2024, and 2023, we recorded stock-based compensation expense of $1.1 million, $1.1 million, and $0.4 million, respectively.

(l) Leases—We recognize a right of use asset and lease liability for operating and finance leases with a term of greater than one year. As a policy election, we account for each lease component separately from the nonlease components of a contract. At December 31, 2025 and 2024, we had not recorded any right of use assets and lease liabilities on our balance sheets.

As of March 19, 2026, we have not entered into any material leases that have not yet commenced.

We are currently party to several easement agreements that allow us access to land we do not own for the purpose of constructing and maintaining certain natural gas equipment. We have not classified our easements as leases because we view the entire parcel of land specified in our easement agreements to be the identified asset, not just that portion of the parcel that contains our easement. As such, we have concluded that we do not control the use of an identified asset related to our easement agreements, nor do we obtain substantially all of the economic benefits associated with these shared-use assets.

(m) Income Taxes—In December 2023, the Financial Accounting Standards Board issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments require additional disclosures, primarily related to income taxes paid and the rate reconciliation table. The amendments require disclosures on specific categories in the rate reconciliation table, as well as additional information for reconciling items that meet a quantitative threshold. For income taxes paid, additional disclosures are required to disaggregate federal, state, and foreign income taxes paid, with additional disclosures for income taxes paid that meet a quantitative threshold. We adopted ASU No. 2023-09 during our fiscal year ended December 31, 2025, on a retroactive basis, with the required disclosures first included in our 2025 financial statements.

We follow the liability method in accounting for income taxes. Accounting guidance for income taxes requires the recording of deferred assets and liabilities to recognize the expected future tax consequences of events that have been reflected in our financial statements or tax returns and the adjustment of deferred tax balances to reflect tax rate changes. We are required to assess the likelihood that our deferred tax assets would expire before being realized. If we conclude that certain deferred tax assets are likely to expire before being realized, a valuation allowance would be established against those assets. GAAP requires that, if we conclude in a future period that it is more likely than not that some or all of the deferred tax assets would be realized before expiration, we reverse the related valuation allowance in that period. Any change to the allowance, as a result of a change in judgment about the realization of deferred tax assets, is reported in income tax expense.

ITCs are deferred and amortized over the life of the assets.

We are included in WEC Energy Group's consolidated federal and state income tax returns. In accordance with our tax allocation agreement with WEC Energy Group, we are allocated income tax payments and refunds based upon the benefit for loss method, where attributes are realized when WEC Energy Group is able to realize them. Related to this tax allocation agreement, at December 31, 2025, and 2024, we recorded accrued income taxes payable in the amount of $1.4 million and prepaid income taxes in the amount of $1.7 million, respectively, to WEC Energy Group.

We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense in our income statements.

In April 2023, the IRS issued Revenue Procedure 2023-15, which provides a safe harbor method of accounting that taxpayers may use to determine whether expenses to repair, maintain, replace, or improve natural gas transmission and distribution property must be capitalized for tax purposes. We adopted the safe harbor method of accounting on our 2024 tax return, which increased our 2025 deferred tax liabilities.

See Note 12, Income Taxes, for more information.

(n) Fair Value Measurements—Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Fair value accounting rules provide a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs within models or other valuation methods.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methods that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. We use a mid-market pricing convention (the mid-point price between bid and ask prices) as a practical measure for valuing certain derivative assets and liabilities. We primarily use a market approach for recurring fair value measurements and attempt to use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

When possible, we base the valuations of our derivative assets and liabilities on quoted prices for identical assets and liabilities in active markets. These valuations are classified in Level 1. The valuations of certain contracts not classified as Level 1 may be based on quoted market prices received from counterparties and/or observable inputs for similar instruments. Transactions valued using these inputs are classified in Level 2. Certain derivatives are categorized in Level 3 due to the significance of unobservable or internally-developed inputs.

See Note 13, Fair Value Measurements, for more information.

(o) Derivative Instruments—We use derivatives as part of our risk management program to manage the risks associated with the price volatility of natural gas costs for the benefit of our customers. Our approach is non-speculative and designed to mitigate risk. Our regulated hedging programs are approved by the ICC.

We record derivative instruments on our balance sheets as an asset or liability measured at fair value unless they qualify for the normal purchases and sales exception, and are so designated. We continually assess our contracts designated as normal and will discontinue the treatment of these contracts as normal if the required criteria are no longer met. Changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met or we receive regulatory treatment for the derivative. For most of our natural gas-related physical and financial contracts that qualify as derivatives, the ICC allows the effects of fair value accounting to be offset to regulatory assets and liabilities.

We classify derivative assets and liabilities as current or long-term on our balance sheets based on the maturities of the underlying contracts. Cash flows from derivative activities are presented in the same category as the item being hedged within operating activities on our statements of cash flows.

Derivative accounting rules provide the option to present certain asset and liability derivative positions net on the balance sheets and to net the related cash collateral against these net derivative positions. We elected not to net these items. On our balance sheets, cash collateral provided to others is reflected in collateral on deposit.

See Note 14, Derivative Instruments, for more information.

(p) Employee Benefits—The costs of pension and OPEB plans are expensed over the periods during which employees render service. These costs are distributed among WEC Energy Group's subsidiaries based on current employment status and actuarial calculations, as applicable. The ICC allows recovery in rates for the net periodic benefit cost calculated under GAAP. See Note 15, Employee Benefits, for more information.

(q) Customer Deposits and Credit Balances—When utility customers apply for new service, they may be required to provide a deposit for the service. Customer deposits are recorded within other current liabilities on our balance sheets.

Utility customers can elect to be on a budget plan. Under this type of plan, a monthly installment amount is calculated based on estimated annual usage. During the year, the monthly installment amount is reviewed by comparing it to actual usage. If necessary, an adjustment is made to the monthly amount. Annually, the budget plan is reconciled to actual annual usage. Payments in excess of actual customer usage are presented as customer credit balances on our balance sheets.

(r) Environmental Remediation Costs—We are subject to federal and state environmental laws and regulations that in the future may require us to pay for environmental remediation at sites where we have been, or may be, identified as a potentially responsible party. Loss contingencies may exist for the remediation of hazardous substances at various potential sites, including manufactured gas plant sites. See Note 16, Commitments and Contingencies, for more information.

We record environmental remediation liabilities when site assessments indicate remediation is probable, and we can reasonably estimate the loss or a range of losses. The estimate includes both our share of the liability and any additional amounts that will not be paid by other potentially responsible parties or the government. When possible, we estimate costs using site-specific information but also consider historical experience for costs incurred at similar sites. Remediation efforts for a particular site generally extend over a period of several years. During this period, the laws governing the remediation process may change, as well as site conditions, potentially affecting the cost of remediation.

We have received approval to defer certain environmental remediation costs, as well as estimated future costs, through a regulatory asset. The recovery of deferred costs is subject to the ICC's approval.

We review our estimated costs of remediation annually for our manufactured gas plant sites. We adjust the liabilities and related regulatory assets, as appropriate, to reflect the new cost estimates. Any material changes in cost estimates are adjusted throughout the year.

(s) Subsequent Events—Subsequent events were evaluated for potential recognition or disclosure through March 19, 2026, which is the date the financial statements were available to be issued.

NOTE 2—RELATED PARTIES

We routinely enter into transactions with related parties, including WEC Energy Group and its other subsidiaries.

We provide and receive services, property, and other items of value to and from our ultimate parent, WEC Energy Group, and other subsidiaries of WEC Energy Group pursuant to an AIA that became effective in 2017. The AIA was approved by the appropriate regulators, including the ICC. In accordance with the AIA, WBS provides several categories of services to us (including financial, human resource, and administrative services). As required by FERC regulations for centralized service companies, WBS renders services at cost. Services provided by any regulated subsidiary of WEC Energy Group to another regulated subsidiary or WBS are

provided at cost, and any services provided by a regulated subsidiary to a nonregulated subsidiary of WEC Energy Group are provided at the greater of cost or fair market value.

The following table shows activity associated with our related party transactions for the years ended December 31:

(in millions)	2025	2024	2023
Transactions with PGL			
Charges from PGL for services and other items [1]	**$ 7.3**	$ 6.3	$ 6.6
Interest expense on short-term borrowings from PGL	**0.7**	1.0	1.6
Transactions with WBS			
Charges to WBS for services and other items [1]	**1.5**	1.0	2.2
Charges from WBS for services and other items [1]	**13.5**	13.3	13.0

[1] Includes amounts charged for services, pass through costs, asset and liability transfers, and other items in accordance with the approved AIA.

We manage our liquidity in part by maintaining adequate financing commitments with related parties. We have the ability to borrow up to $50.0 million from Integrys and to loan to or borrow from PGL up to $50.0 million. See Note 10, Short-Term Debt to Related Parties, for more information on our short-term borrowings.

NOTE 3—OPERATING REVENUES

For more information about our significant accounting policies related to operating revenues see, Note 1(d), Operating Revenues.

Disaggregation of Operating Revenues

The following tables present our operating revenues disaggregated by revenue source. We disaggregate revenues into categories that depict how the nature, amount, timing, and uncertainty of revenues and cash flows are affected by economic factors. Natural gas revenues are further disaggregated by customer class. Each customer class has different expectations of service, natural gas and demand requirements, and can be impacted differently by regulatory activities within Illinois.

	Year Ended December 31		
(in millions)	2025	2024	2023
North Shore Gas Company			
Natural gas utility revenues from contracts with customers	**$ 229.8**	$ 190.2	$ 194.8
Other operating revenues	**(4.7)**	6.7	6.1
Total operating revenues	**$ 225.1**	$ 196.9	$ 200.9

Revenues from Contracts with Customers

Natural Gas Utility Operating Revenues

The following table disaggregates natural gas utility operating revenues into customer class:

	Year Ended December 31		
(in millions)	2025	2024	2023
Residential	**$ 171.7**	$ 134.8	$ 139.4
Commercial and industrial	**32.5**	25.8	26.1
Total retail revenues	**204.2**	160.6	165.5
Transportation	**30.0**	27.7	25.1
Other utility revenues [1]	**(4.4)**	1.9	4.2
Total natural gas utility operating revenues	**$ 229.8**	$ 190.2	$ 194.8

[1] Includes the revenues subject to our GCRM, which fluctuate based on actual natural gas costs incurred, compared with the recovery of natural gas costs that were included in rates.

Other Operating Revenues

Other operating revenues consist primarily of the following:

	Year Ended December 31		
(in millions)	**2025**	**2024**	**2023**
Late payment charges	**$ 1.3**	$ 1.2	$ 1.3
Alternative revenues [(1)]	**(6.0)**	5.5	4.8
Total other operating revenues	**$ (4.7)**	$ 6.7	$ 6.1

[(1)] Alternative revenues consist of amounts to be recovered or refunded to customers subject to our decoupling mechanism. Negative amounts can result from alternative revenues being reversed to revenues from contracts with customers as the customer is billed for these alternative revenues. For more information on our alternative revenues, see Note 1(d), Operating Revenues.

NOTE 4—CREDIT LOSSES

The table below shows our gross third-party receivable balances and related allowance for credit losses.

(in millions)	**December 31, 2025**	**December 31, 2024**
Accounts receivable and unbilled revenues	**$ 59.3**	$ 48.8
Allowance for credit losses	**2.0**	1.7
Accounts receivable and unbilled revenues, net [(1)]	**$ 57.3**	$ 47.1
Total accounts receivable, net – past due greater than 90 days [(1)]	**$ 1.5**	$ 1.3
Past due greater than 90 days – collection risk mitigated by regulatory mechanisms [(1)]	**100.0 %**	100.0 %

[(1)] Our exposure to credit losses is mitigated by a regulatory mechanism we have in place. Specifically, our customer tariffs include a rider for cost recovery or refund of uncollectible expense based on the difference between actual uncollectible write-offs and the amounts recovered in rates. As a result, all of our net accounts receivable and unbilled revenues balance had regulatory protections in place to mitigate our exposure to credit losses. See Note 18, Regulatory Environment, for more information on our UEA rider.

A rollforward of the allowance for credit losses is included below:

	Year Ended December 31		
(in millions)	**2025**	**2024**	**2023**
Balance at January 1	**$ 1.7**	$ 2.3	$ 2.9
Provision for credit losses	**1.9**	1.6	2.0
Provision for credit losses deferred for future recovery or refund	**(0.7)**	(1.2)	(1.1)
Write-offs charged against the allowance	**(2.0)**	(1.9)	(2.5)
Recoveries of amounts previously written off	**1.1**	0.9	1.0
Balance at December 31	**$ 2.0**	$ 1.7	$ 2.3

NOTE 5—REGULATORY ASSETS AND LIABILITIES

The following regulatory assets were reflected on our balance sheets as of December 31:

(in millions)	2025	2024	See Note
Regulatory assets [1] [2]			
Environmental remediation costs [3]	**$ 32.9**	$ 33.7	16
AROs	**9.0**	8.9	1(j), 7
Derivatives	**5.1**	4.1	1(o)
Decoupling	**3.3**	9.3	1(d)
Natural gas costs recoverable through rate adjustments	**—**	2.5	1(d)
Other, net	**2.1**	2.4	
Total regulatory assets	**$ 52.4**	$ 60.9	
Balance sheet presentation			
Amounts recoverable from customers	**$ 1.4**	$ 4.7	
Regulatory assets	**51.0**	56.2	
Total regulatory assets	**$ 52.4**	$ 60.9	

[1] Based on prior and current rate treatment, we believe it is probable that we will continue to recover from customers the regulatory assets in this table.

[2] As of December 31, 2025, we had $5.4 million of regulatory assets not earning a return. The regulatory assets not earning a return primarily relate to our decoupling mechanism and rate case costs. The other regulatory assets in the table either earn a return at our weighted average cost of capital or the cash has not yet been expended, in which case the regulatory assets are offset by liabilities.

[3] As of December 31, 2025, we had made cash expenditures of $1.5 million related to these environmental remediation costs. The remaining $31.4 million represents our estimated future cash expenditures.

The following regulatory liabilities were reflected on our balance sheets as of December 31:

(in millions)	2025	2024	See Note
Regulatory liabilities			
Income tax related items	**$ 36.1**	$ 36.9	12
Removal costs [1]	**23.2**	21.8	
Pension and OPEB benefits [2]	**9.1**	10.4	15
Natural gas costs refundable through rate adjustments	**2.4**	0.8	1(d)
Uncollectible expense	**2.3**	2.1	4
Other, net	**2.8**	1.3	
Total regulatory liabilities	**$ 75.9**	$ 73.3	
Balance sheet presentation			
Other current liabilities	**$ 2.4**	$ 0.8	
Regulatory liabilities	**73.5**	72.5	
Total regulatory liabilities	**$ 75.9**	$ 73.3	

[1] Represents amounts collected from customers to cover the future cost of property, plant, and equipment removals that are not legally required. Legal obligations related to the removal of property, plant, and equipment are recorded as AROs. See Note 7, Asset Retirement Obligations, for more information on our legal obligations.

[2] Primarily represents the unrecognized future pension and OPEB benefits related to our defined benefit pension and OPEB plans. We will amortize these regulatory liabilities into net periodic benefit cost over the average remaining service life of each plan.

NOTE 6—PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following utility assets at December 31:

(in millions)	2025	2024
Natural gas – distribution and transmission	**$ 804.0**	$ 781.6
Other utility property, plant, and equipment	**54.0**	50.1
Less: Accumulated depreciation	**291.7**	278.5
Net	**566.3**	553.2
Construction work in progress	**9.3**	8.9
Total property, plant, and equipment	**$ 575.6**	$ 562.1

Impairment Related to Illinois Commerce Commission Disallowance

In November 2023, the ICC issued a written rate order that disallowed certain previously incurred capital costs related to our construction of a gas infrastructure project. As a result of this disallowance, we recorded a $1.7 million non-cash impairment to property, plant, and equipment in 2023. See Note 18, Regulatory Environment, for more information.

NOTE 7—ASSET RETIREMENT OBLIGATIONS

We have recorded AROs primarily for the removal of natural gas distribution mains and service pipes (including asbestos and PCBs), asbestos and PCBs abatement in buildings, and the removal of storage tanks. We establish regulatory assets and liabilities to record the differences between ongoing expense recognition under the ARO accounting rules and the ratemaking practices for retirement costs authorized by the ICC.

The following table shows changes to our AROs during the years ended December 31:

(in millions)	2025	2024	2023
Balance as of January 1	**$ 27.0**	$ 26.6	$ 28.2
Accretion	**0.9**	0.9	0.9
Additions	**—**	0.1	—
Revisions to estimated cash flows	**—**	—	(2.1) [1]
Liabilities settled	**(0.5)**	(0.6)	(0.4)
Balance as of December 31	**$ 27.4**	$ 27.0	$ 26.6

[1] AROs decreased primarily due to revisions made to estimated cash flows for changes in removal cost estimates for services.

NOTE 8—COMMON EQUITY

Various financing arrangements and regulatory requirements impose certain restrictions on our ability to transfer funds to the sole holder of our common stock, PELLC, in the form of cash dividends, loans, or advances. In addition, we are prohibited from making loans to WEC Energy Group, Integrys, PELLC, or their other subsidiaries, with the exception of PGL.

Our long-term debt obligations contain provisions and covenants restricting the payment of cash dividends and the purchase or redemption of capital stock. As of December 31, 2025, these covenants resulted in total restricted retained earnings of $6.9 million.

We do not believe that these restrictions will materially affect our operations or limit any dividend payments in the foreseeable future.

NOTE 9—PREFERRED STOCK

We have 160,000 shares of cumulative preferred stock with a $100 par value authorized for issuance, of which none were issued and outstanding at December 31, 2025.

NOTE 10—SHORT-TERM DEBT TO RELATED PARTIES

The following table shows our short-term borrowings and their corresponding weighted-average interest rates as of December 31:

(in millions, except for percentages)	2025	2024
Short-term debt to related parties:		
Amount outstanding at December 31	**$ 30.1**	$ 32.3
Weighted-average interest rate on amounts outstanding at December 31	**3.88%**	4.64%

Our average amount of short-term borrowings based on daily outstanding balances during 2025, was $16.4 million with a weighted-average interest rate during the period of 4.33%.

The information in the table below relates to our financing commitments with related parties, including remaining available capacity under these arrangements as of December 31:

(in millions)	2025
Revolving short-term notes payable to related parties [(1)]	**$ 100.0**
Less:	
Short-term debt to related parties	**30.1**
Available capacity under existing agreements	**$ 69.9**

(1) We have the ability to borrow up to $50.0 million from Integrys and up to $50.0 million from PGL.

We did not have a short-term debt balance with Integrys at December 31, 2025 or December 31, 2024. At December 31, 2025 and 2024, our short-term debt balance with PGL was $30.1 million and $32.3 million, respectively.

Short-term borrowings from PGL and Integrys bear interest computed at the average stated interest rate payable on commercial paper issued by PGL. Short-term debt is callable by Integrys or PGL at any time.

NOTE 11—LONG-TERM DEBT

The following table is a summary of our long-term debt outstanding as of December 31:

(in millions)			2025	2024
Long-term debt	**Interest Rate**	**Year Due**		
First Mortgage Bonds (secured)	3.43%	2027	**$ 28.0**	$ 28.0
	2.20%	2028	**25.0**	25.0
	3.87%	2028	**50.0**	50.0
	5.82%	2029	**20.0**	20.0
	3.96%	2043	**54.0**	54.0
Total			**177.0**	177.0
Unamortized debt issuance costs			**(0.7)**	(0.9)
Total long-term debt			**$ 176.3**	$ 176.1

Our First Mortgage Bonds are subject to the terms and conditions of our First Mortgage Indenture dated April 1, 1955, as supplemented. Under the terms of the Indenture, substantially all our property is pledged as collateral for these outstanding debt securities.

We amortize debt premiums, discounts, and debt issuance costs over the life of the debt using the straight-line method and we include the costs in interest expense.

Maturities of Long-Term Debt Outstanding

The following table shows the future maturities of our long-term debt outstanding as of December 31, 2025:

(in millions)	Payments
2026	$ —
2027	28.0
2028	75.0
2029	20.0
2030	—
Thereafter	54.0
Total	$ 177.0

Our long-term debt obligations contain covenants related to payment of principal and interest when due and various other obligations. Failure to comply with these covenants could result in an event of default, which could result in the acceleration of outstanding debt obligations. As of December 31, 2025, we were in compliance with our covenants related to our long-term debt obligations.

NOTE 12—INCOME TAXES

We adopted the new disclosure provisions of ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, effective during our fiscal year ended December 31, 2025. See Note 1(m), Income Taxes, for more information on the adoption of this ASU.

Income Tax Expense

The following table is a summary of the components of income tax expense for the years ended December 31:

(in millions)	2025	2024	2023
Current tax expense (benefit)			
Federal	**$ (1.3)**	$ 6.3	$ 0.8
State	**(0.9)**	2.6	0.1
Deferred tax expense, net			
Federal	**7.6**	0.4	3.5
State	**4.4**	1.1	2.9
ITCs, net	**(0.1)**	—	(0.1)
Total income tax expense	**$ 9.7**	$ 10.4	$ 7.2

Statutory Rate Reconciliation

The provision for income taxes for each of the years ended December 31 differs from the amount of income tax determined by applying the applicable United States statutory federal income tax rate to income before income taxes as a result of the following:

	2025		2024		2023	
(in millions)	Amount	Effective Tax Rate	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Income before income taxes	**$ 35.5**		$ 37.8		$ 27.1	
US federal statutory income tax rate	**$ 7.5**	**21.0 %**	$ 7.9	21.0 %	$ 5.7	21.0 %
State and local income taxes net of federal tax effect [1]	**2.7**	**7.7 %**	2.9	7.6 %	2.1	7.7 %
Tax credits						
ITCs, net	**(0.1)**	**(0.2)%**	—	— %	(0.1)	(0.4)%
Nontaxable or nondeductible items						
Other	**0.2**	**0.4 %**	0.1	0.3 %	0.1	0.4 %
Other adjustments						
Federal excess deferred tax amortization [2]	**(0.6)**	**(1.6)%**	(0.5)	(1.4)%	(0.7)	(2.5)%
Other, net	**—**	**— %**	—	— %	0.1	0.4 %
Total income tax expense	**$ 9.7**	**27.3 %**	$ 10.4	27.5 %	$ 7.2	26.6 %

(1) State taxes in Illinois made up the tax effect in this category.

(2) The Tax Cuts and Jobs Act of 2017 required us to remeasure our deferred income taxes and we began to amortize the resulting excess protected deferred income taxes beginning in 2018, in accordance with normalization requirements. 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.

Deferred Income Tax Assets and Liabilities

The components of deferred income taxes at December 31 were as follows:

(in millions)	2025	2024
Deferred tax assets		
Tax gross up – regulatory items	**$ 10.8**	$ 11.1
Employee benefits and compensation	**2.1**	2.2
Future tax benefits	**0.2**	—
Other	**2.5**	2.2
Total deferred tax assets	**$ 15.6**	$ 15.5
Deferred tax liabilities		
Property-related	**$ 107.9**	$ 90.9
Regulatory deferral	**—**	4.1
Other	**0.4**	0.5
Total deferred tax liabilities	**$ 108.3**	$ 95.5
Deferred tax liability, net	**$ 92.7**	$ 80.0

Consistent with ratemaking treatment, deferred taxes in the table above are offset for temporary differences that have related regulatory assets and liabilities.

The components of net deferred tax assets associated with state net operating loss carryforwards as of December 31, 2025, are summarized in the table below. At December 31, 2024, we had no federal or state deferred tax assets related to tax benefit carryforwards.

(in millions)	Gross Value	Deferred Tax Effect	Earliest Year of Expiration
Future tax benefits as of December 31, 2025			
State net operating loss	**$ 2.7**	**$ 0.2**	**2044**
Balance as of December 31, 2025	**$ 2.7**	**$ 0.2**	

Unrecognized Tax Benefits

We had no unrecognized tax benefits at December 31, 2025 and 2024.

For the years ended December 31, 2025, 2024, and 2023, we recognized no interest expense or penalties related to unrecognized tax benefits in our income statements. At December 31, 2025 and 2024, we had no interest accrued and no penalties accrued related to unrecognized tax benefits on our balance sheets.

Our primary tax jurisdictions include federal and the state of Illinois. We are no longer subject to federal income tax examination by the IRS for years prior to 2022. At December 31, 2025, we were subject to examination by the Illinois taxing authority for tax years 2021 through 2025.

Cash Paid to (Received from) WEC Energy Group, Inc. for Income Taxes, Net

The table below is a summary of income taxes paid to (received from) WEC Energy Group by jurisdiction for the years ended December 31:

(in millions)	2025	2024	2023
Federal	**$ (3.4)**	$ 6.5	$ 1.4
State	**(1.9)**	2.9	0.2
Total income taxes paid (received), net	**$ (5.3)**	$ 9.4	$ 1.6

Income taxes received or paid (net of refunds) exceeded 5 percent of total income taxes received or paid (net of refunds) in the following jurisdiction:

(in millions)	2025	2024	2023
Illinois	**$ (1.9)**	$ 2.9	$ 0.2

NOTE 13—FAIR VALUE MEASUREMENTS

The following tables summarize our financial assets and liabilities that were accounted for at fair value on a recurring basis, categorized by level within the fair value hierarchy:

	December 31, 2025			
(in millions)	Level 1	Level 2	Level 3	Total
Natural gas contracts				
Derivative assets	**$ 0.2**	**$ 0.2**	**$ —**	**$ 0.4**
Derivative liabilities	**1.8**	**0.2**	**—**	**2.0**

	December 31, 2024			
(in millions)	Level 1	Level 2	Level 3	Total
Natural gas contracts				
Derivative assets	$ 1.1	$ —	$ —	$ 1.1
Derivative liabilities	0.9	0.3	—	1.2

The derivative assets and liabilities listed in the tables above include options, futures, and physical commodity contracts used to manage market risks related to changes in natural gas supply costs.

NOTE 14—DERIVATIVE INSTRUMENTS

Derivative assets and liabilities are included in the other current and other long-term line items on our balance sheets. The following table shows our derivative assets and derivative liabilities. None of the derivatives shown below were designated as hedging instruments.

	December 31, 2025		December 31, 2024	
(in millions)	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Natural gas contracts				
Current	**$ 0.4**	**$ 1.8**	$ 0.6	$ 1.2
Long-term	**—**	**0.2**	0.5	—
Total	**$ 0.4**	**$ 2.0**	$ 1.1	$ 1.2

Realized gains and losses on derivatives are recorded in cost of natural gas upon settlement; however, they may be subsequently deferred for future rate recovery or refund as the gains and losses are included in our GCRM. Our realized losses and the estimated notional volumes related to these settlements were as follows for the years ended:

	December 31, 2025		December 31, 2024		December 31, 2023	
(in millions)	Volumes	Losses	Volumes	Losses	Volumes	Losses
Natural gas contracts	**8.4 Dth**	**$ (1.9)**	8.4 Dth	$ (9.2)	8.4 Dth	$ (13.8)

At December 31, 2025 and 2024, we had posted cash collateral of $2.2 million and $0.7 million, respectively.

The following table shows derivative assets and derivative liabilities if derivative instruments by counterparty were presented net on our balance sheets:

	December 31, 2025		December 31, 2024	
(in millions)	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Gross amount recognized on the balance sheet	**$ 0.4**	**$ 2.0**	$ 1.1	$ 1.2
Gross amount not offset on the balance sheet	**(0.2)**	**(1.8)** [1]	(0.9)	(0.9)
Net amount	**$ 0.2**	**$ 0.2**	$ 0.2	$ 0.3

[1] Includes cash collateral posted of $1.6 million.

NOTE 15—EMPLOYEE BENEFITS

Pension and Other Postretirement Employee Benefits

We have a combined noncontributory, qualified pension plan with PGL.

We offer an OPEB plan to employees, which is sponsored by PELLC. The benefits are funded through an irrevocable trust, as allowed for income tax purposes. Our balance sheets reflect only the liabilities associated with our past and current employees and our share of the plan assets and obligations. WEC Energy Group also offers medical, dental, and life insurance benefits to our active employees and their dependents. We expense the allocated costs of these benefits as incurred.

The defined benefit pension plan is closed to all new hires. In addition, the service accruals for the defined benefit pension plan were frozen for non-union employees as of January 1, 2013. These employees receive an annual company contribution to their 401(k) savings plan, which is calculated based on age, wages, and full years of vesting service as of December 31 each year.

We use a year-end measurement date to measure the funded status of all of the pension and OPEB plans. Due to the regulated nature of our business, we have concluded that substantially all of the unrecognized costs resulting from the recognition of the funded status of our pension and OPEB plans qualify as a regulatory asset.

The following table shows information relating to our share of the plans' benefit obligations and fair value of assets. Amounts presented are as of December 31:

	Pension Benefits		OPEB Benefits	
(in millions)	**2025**	**2024**	**2025**	**2024**
Benefit obligation	**$ 34.7**	$ 37.3	**$ 9.3**	$ 9.0
Fair value of plan assets	**20.7**	25.9	**26.9**	25.0
Funded status	**$ (14.0)**	$ (11.4)	**$ 17.6**	$ 16.0

The amount of contributions and benefit payments for the years ended December 31 were as follows:

	Pension Benefits		OPEB Benefits	
(in millions)	**2025**	**2024**	**2025**	**2024**
Participant contributions	**$ —**	$ —	**$ 0.4**	$ 0.4
Benefit payments	**(7.1)**	(5.8)	**(1.1)**	(0.9)

In 2025, we had an actuarial loss related to our pension benefit obligations of $1.7 million and an actuarial gain of $2.6 million in 2024. The primary driver for the actuarial loss in 2025 was the decrease in discount rate. The primary driver for the actuarial gain in 2024 was a higher discount rate. Partially offsetting the gain in 2024 was lower than expected asset returns. The discount rate for our pension benefits was 5.40%, 5.65%, and 5.20% in 2025, 2024, and 2023, respectively.

In 2025, the actuarial loss related to our OPEB benefit obligation was not significant. In 2024, we had an actuarial gain related to our OPEB benefit obligation of $1.1 million. The primary driver for the 2024 actuarial gain was an increased discount rate. The discount rate for our OPEB benefits was 5.45%, 5.70%, and 5.20% in 2025, 2024, and 2023, respectively.

The amounts recognized on our balance sheets at December 31 related to the funded status of benefit plans were as follows:

	Pension Benefits		OPEB Benefits	
(in millions)	**2025**	**2024**	**2025**	**2024**
OPEB assets	**$ —**	$ —	**$ 17.6**	$ 16.0
Pension obligations	**14.0**	11.4	**—**	—
Total net (liabilities) assets	**$ (14.0)**	$ (11.4)	**$ 17.6**	$ 16.0

The accumulated benefit obligation for the defined benefit pension plans was $31.9 million and $34.1 million at December 31, 2025 and 2024, respectively.

The following table shows information for pension plans with an accumulated benefit obligation in excess of plan assets. Amounts presented are as of December 31:

(in millions)	**2025**	**2024**
Accumulated benefit obligation	**$ 31.9**	$ 34.1
Fair value of plan assets	**20.7**	25.9

The following table shows information for pension plans with a projected benefit obligation in excess of plan assets. Amounts presented are as of December 31:

(in millions)	**2025**	**2024**
Projected benefit obligation	**$ 34.7**	$ 37.3
Fair value of plan assets	**20.7**	25.9

We had no OPEB plans with an accumulated benefit obligation in excess of plan assets as of December 31, 2025 and 2024, respectively.

The following table shows the amounts that had not yet been recognized in our net periodic benefit cost (credit) as of December 31:

	Pension Benefits		OPEB Benefits	
(in millions)	**2025**	**2024**	**2025**	**2024**
Net regulatory liabilities				
Net actuarial gain	**$ (0.7)**	$ (2.3)	**$ (7.7)**	$ (7.6)
Prior service credits	**—**	—	**(0.2)**	(0.4)
Total	**$ (0.7)**	$ (2.3)	**$ (7.9)**	$ (8.0)

The amount of net periodic benefit cost (credit) recognized (including amounts capitalized to our balance sheets) for the years ended December 31 was as follows:

	Pension Benefits			OPEB Benefits		
(in millions)	**2025**	**2024**	**2023**	**2025**	**2024**	**2023**
Net periodic benefit cost (credit)	**$ 1.0**	$ 1.2	$ 1.2	**$ (1.8)**	$ (1.6)	$ (1.4)

The weighted-average assumptions used to determine benefit obligations for the plans were as follows for the years ended December 31:

	Pension Benefits		OPEB Benefits	
	2025	**2024**	**2025**	**2024**
Discount rate	**5.40%**	5.65%	**5.45%**	5.70%
Rate of compensation increase	**4.00%**	4.00%	**N/A**	N/A
Interest credit rate	**4.50%**	4.50%	**N/A**	N/A
Assumed medical cost trend rate (Pre 65)	**N/A**	N/A	**8.00%**	7.00%
Ultimate trend rate (Pre 65)	**N/A**	N/A	**5.00%**	5.00%
Year ultimate trend rate is reached (Pre 65)	**N/A**	N/A	**2032**	2033
Assumed medical cost trend rate (Post 65)	**N/A**	N/A	**10.00%**	6.00%
Ultimate trend rate (Post 65)	**N/A**	N/A	**5.00%**	5.00%
Year ultimate trend rate is reached (Post 65)	**N/A**	N/A	**2034**	2030

The weighted-average assumptions used to determine the net periodic benefit cost for the plans were as follows for the years ended December 31:

	Pension Benefits		
	2025	**2024**	**2023**
Discount rate	**5.61%**	5.20%	5.45%
Expected return on plan assets	**6.75%**	6.75%	6.75%
Rate of compensation increase	**4.00%**	4.00%	4.00%
Interest credit rate	**4.50%**	4.50%	4.00%

	OPEB Benefits		
	2025	**2024**	**2023**
Discount rate	**5.70%**	5.20%	5.50%
Expected return on plan assets	**6.50%**	6.50%	6.50%
Assumed medical cost trend rate (Pre 65)	**7.00%**	6.25%	6.50%
Ultimate trend rate (Pre 65)	**5.00%**	5.00%	5.00%
Year ultimate trend rate is reached (Pre 65)	**2033**	2031	2031
Assumed medical cost trend rate (Post 65)	**6.00%**	6.25%	6.00%
Ultimate trend rate (Post 65)	**5.00%**	5.00%	5.00%
Year ultimate trend rate is reached (Post 65)	**2030**	2030	2031

WEC Energy Group consults with its investment advisors on an annual basis to help forecast expected long-term returns on plan assets by reviewing historical returns as well as calculating expected total trust returns using the weighted-average of long-term market returns for each of the major target asset categories utilized in the trust. For 2026, the expected return on asset assumption is 6.75% for the pension plan and 6.50% for the OPEB plan.

Plan Assets

Current pension trust assets and amounts which are expected to be contributed to the trusts in the future are expected to be adequate to meet pension payment obligations to current and future retirees.

WEC Energy Group's Investment Trust Policy Committee oversees investment matters related to all of our funded benefit plans. The Committee works with external actuaries and investment consultants on an on-going basis to establish and monitor investment strategies and target asset allocations. Forecasted cash flows for plan liabilities are regularly updated based on annual valuation results. Target allocations are determined using projected benefit payment cash flows and risk analyses of appropriate investments. They are intended to reduce risk, provide long-term financial stability for the plans and maintain funded levels which meet long-term plan obligations while preserving sufficient liquidity for near-term benefit payments.

Our pension trust target asset allocations are 25% equity investments, 55% fixed income investments, and 20% private equity and real estate investments. The OPEB trust has target asset allocations of 45% equity investments, 45% fixed income investments, and 10% real estate investments. Equity securities include investments in large-cap, mid-cap, and small-cap companies. Fixed income securities include corporate bonds of companies from diversified industries, mortgage and other asset backed securities, commercial paper, and United States Treasuries.

Pension and OPEB plan investments are recorded at fair value. See Note 1(n), Fair Value Measurements, for more information regarding the fair value hierarchy and the classification of fair value measurements based on the types of inputs used.

The following tables provide the fair values of our investments by asset class:

	December 31, 2025							
	Pension Plan Assets				OPEB Plan Assets			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Class								
Equity securities:								
United States equity	$ 1.3	$ —	$ —	$ 1.3	$ 3.0	$ —	$ —	$ 3.0
International equity	1.4	—	—	1.4	3.2	—	—	3.2
Fixed income securities: [1]								
United States bonds	—	5.3	—	5.3	4.6	4.5	—	9.1
International bonds	—	0.5	—	0.5	—	0.2	—	0.2
	$ 2.7	$ 5.8	$ —	$ 8.5	$ 10.8	$ 4.7	$ —	$ 15.5
Investments measured at net asset value:								
Equity securities				3.3				6.5
Fixed income securities				2.0				2.3
Other				6.9				2.6
Total				$ 20.7				$ 26.9

[1] This category represents investment grade bonds of United States and foreign issuers denominated in United States dollars from diverse industries.

	December 31, 2024							
	Pension Plan Assets				OPEB Plan Assets			
(in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Class								
Equity securities:								
United States equity	$ 1.7	$ —	$ —	$ 1.7	$ 2.9	$ —	$ —	$ 2.9
International equity	1.6	—	—	1.6	2.7	—	—	2.7
Fixed income securities: [1]								
United States bonds	—	6.3	—	6.3	4.2	4.2	—	8.4
International bonds	—	0.8	—	0.8	—	0.2	—	0.2
	$ 3.3	$ 7.1	$ —	$ 10.4	$ 9.8	$ 4.4	$ —	$ 14.2
Investments measured at net asset value:								
Equity securities				4.3				5.9
Fixed income securities				2.5				2.2
Other				8.7				2.7
Total				$ 25.9				$ 25.0

[1] This category represents investment grade bonds of United States and foreign issuers denominated in United States dollars from diverse industries.

Cash Flows

We expect to make an insignificant contribution to our OPEB plan in 2026, dependent upon various factors affecting us, including our liquidity position and possible tax law changes. We do not expect to make any contributions to our pension plan in 2026.

The following table shows the payments, reflecting expected future service, that we expect to make for pension and OPEB over the next 10 years:

(in millions)	Pension Benefits	OPEB Benefits
2026	$ 4.8	$ 0.8
2027	4.3	0.9
2028	3.8	0.9
2029	4.0	0.9
2030	4.0	0.9
2031-2035	14.1	4.0

Savings Plans

WEC Energy Group sponsors 401(k) savings plans that allow substantially all of our full-time employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan-specified guidelines. A percentage of employee contributions are matched by us through a contribution into the employee's savings plan account, up to certain limits. The 401(k) savings plans include an Employee Stock Ownership Plan. Certain employees receive a retirement contribution in lieu of receiving a pension benefit. Total costs incurred under all of these plans were $1.2 million in the year ended December 31, 2025 and $1.0 million in each of the years ended December 31, 2024, and 2023.

NOTE 16—COMMITMENTS AND CONTINGENCIES

We have significant commitments and contingencies arising from our operations, including those related to unconditional purchase obligations, environmental matters, and enforcement and litigation matters.

Unconditional Purchase Obligations

We have obligations to distribute and sell natural gas to our customers and expect to recover costs related to these obligations in future customer rates. In order to meet these obligations, we routinely enter into long-term purchase and sale commitments for various quantities and lengths of time.

The following table shows our minimum future commitments related to these purchase obligations as of December 31, 2025.

			Payments Due By Period					
(in millions)	Date Contracts Extend Through	Total Amounts Committed	2026	2027	2028	2029	2030	Later Years
Natural gas supply and transportation	2036	$ 131.0	$ 34.9	$ 33.6	$ 27.0	$ 11.6	$ 4.0	$ 19.9

Environmental Matters

Consistent with other companies in the natural gas utility industry, we face significant ongoing environmental compliance and remediation obligations related to current and past operations. Specific environmental issues affecting us include, but are not limited to, current and future regulation of GHG emissions and remediation of impacted properties, including former manufactured gas plant sites.

We have continued to pursue a proactive strategy to manage our environmental compliance obligations, including:

- the protection of wetlands and waterways, biodiversity including threatened and endangered species, and cultural resources associated with construction projects;
- the remediation of former manufactured gas plant sites;
- the reduction of methane emissions across our natural gas distribution system by upgrading infrastructure; and
- the tracking and reporting of GHG emissions.

Air Quality

Climate Change

WEC Energy Group continues to focus on methane emission reductions by improving and upgrading its natural gas distribution systems, including our system.

Land Quality

Manufactured Gas Plant Remediation

We have identified sites at which we or a predecessor company owned or operated a manufactured gas plant or stored manufactured gas. We have also identified other sites that may have been impacted by historical manufactured gas plant activities. We are responsible for the environmental remediation of these sites. We are working with the United States Environmental Protection Agency and the Illinois Environmental Protection Agency in our investigation and remediation planning and efforts. These sites are at various stages of investigation, monitoring, remediation, and closure.

The future costs for detailed site investigation, future remediation, and monitoring are dependent upon several variables including, among other things, the extent of remediation, changes in technology, and changes in regulation. Historically, the ICC has allowed us to recover incurred costs, net of insurance recoveries and recoveries from potentially responsible parties, associated with the remediation of manufactured gas plant sites. Accordingly, we have established regulatory assets for costs associated with these sites.

We have established the following regulatory assets and reserves for our manufactured gas plant sites as of December 31:

(in millions)	2025	2024
Regulatory assets for environmental remediation costs	**$ 32.9**	$ 33.7
Reserves for future environmental remediation	**31.4**	31.3

Enforcement and Litigation Matters

We are involved in legal and administrative proceedings before various courts and agencies with respect to matters arising in the ordinary course of business. Although we are unable to predict the outcome of these matters, management believes that appropriate reserves have been established and that final settlement of these actions will not have a material impact on our financial condition or results of operations.

NOTE 17—SUPPLEMENTAL CASH FLOW INFORMATION

The following table provides additional information regarding our statements of cash flows:

	Year Ended December 31		
(in millions)	2025	2024	2023
Cash paid for interest	**$ 7.8**	$ 7.8	$ 7.6
Significant non-cash investing and financing transactions:			
Accounts payable related to construction costs	**0.8**	2.0	3.2
Liabilities accrued for software licensing agreements	**0.5**	—	—

See Note 12, Income Taxes, for more information on our cash paid to or/and received from WEC Energy Group for income taxes.

NOTE 18—REGULATORY ENVIRONMENT

2026 Rate Application

In January 2026, we filed a request with the ICC to increase our natural gas base rates. We are requesting a rate increase of $12.7 million (12.2%), which is primarily driven by capital investments made to strengthen the safety and reliability of our natural gas distribution system. Higher operating costs, driven by inflation, and increases in the cost of capital, also drove the requested rate increase. We are requesting an ROE of 10.10% and a common equity component average of 54.0%.

An ICC decision is anticipated in the fourth quarter of 2026, with new rates expected to be effective by January 1, 2027.

2023 Rate Order

In January 2023, we filed a request with the ICC to increase our natural gas base rates. The requested rate increase was primarily driven by capital investments made to strengthen the safety and reliability of our natural gas distribution system.

In November 2023, the ICC issued a final written order approving a base rate increase of $11.0 million (11.6%) for our natural gas customers. The final order authorized an ROE of 9.38% and set our common equity component average at 52.58%. The new rates went into effect on February 1, 2024.

As part of its decision, the ICC, among other things, disallowed $1.7 million of capital costs related to our construction of a gas infrastructure project. In December 2023, we and PGL filed an application for rehearing with the ICC requesting reconsideration of various issues in the ICC's November 2023 written orders issued to us. The ICC granted a limited-scope rehearing; however, it did not include the disallowance of our capital costs. As a result, we recorded a $1.7 million non-cash impairment of our property, plant, and equipment in the fourth quarter of 2023.

In June 2024, we filed a petition with the Illinois Appellate Court for review of the November 2023 order, which included the ICC's $1.7 million disallowance of our capital costs discussed above. On March 10, 2026, the Illinois Appellate Court issued an order affirming the November 2023 order and related disallowance.

Uncollectible Expense Adjustment Rider

Our rates include a UEA rider for cost recovery or refund of uncollectible expense based on the difference between actual uncollectible write-offs and the amounts recovered in rates. The UEA rider is subject to an annual reconciliation whereby costs are reviewed for accuracy and prudency by the ICC. In May 2023, the ICC issued a written order on our 2018 UEA rider reconciliation. The order required a $0.7 million refund to our customers, which was refunded over a period of nine months that began on September 1, 2023. Upon our appeal, the Illinois Appellate Court affirmed the ICC order and the related disallowance. The Illinois Supreme Court denied a subsequent petition for review and reversal of the order in March 2025.

As of December 31, 2025, there can be no assurance that all costs incurred under our UEA rider during the open reconciliation years will be deemed recoverable by the ICC. Future disallowances by the ICC could be material. However, in February 2026, we agreed on the terms of a proposed settlement with the Illinois Attorney General that, if approved by the ICC, would resolve all open proceedings related to our UEA rider. We agreed to refund $1.0 million to customers as bill credits over a period of three years between 2026 and 2028 to resolve our open UEA proceedings. As a result of this agreement, we recorded a $1.0 million reduction to revenues during the fourth quarter of 2025. This proposed settlement is subject to ICC approval following a public review process.

NOTE 19—OTHER INCOME, NET

Total other income, net was as follows for the years ended December 31:

(in millions)	2025	2024	2023
Non-service components of net periodic benefit costs	**$ 1.3**	$ 1.2	$ 1.1
Other, net	**0.1**	0.2	0.1
Other income, net	**$ 1.4**	$ 1.4	$ 1.2