THE PEOPLES GAS LIGHT AND COKE COMPANY

ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025

THE PEOPLES GAS LIGHT AND COKE COMPANY
ANNUAL REPORT
For the Year Ended December 31, 2025
TABLE OF CONTENTS

		Page
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION		1
BUSINESS		
A.	INTRODUCTION	3
B.	NATURAL GAS UTILITY OPERATIONS	3
C.	REGULATION	5
D.	ENVIRONMENTAL COMPLIANCE	6
E.	HUMAN CAPITAL	6
RISK FACTORS		8
PROPERTIES		18
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS		19
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK		35
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA		
A.	Independent Auditor's Report	36
B.	Consolidated Income Statements	38
C.	Consolidated Balance Sheets	39
D.	Consolidated Statements of Cash Flows	40
E.	Consolidated Statements of Equity	41
F.	Notes to Consolidated Financial Statements	42

		Page
Note 1	Summary of Significant Accounting Policies	42
Note 2	Related Parties	47
Note 3	Operating Revenues	48
Note 4	Credit Losses	49
Note 5	Regulatory Assets and Liabilities	50
Note 6	Property, Plant, and Equipment	51
Note 7	Asset Retirement Obligations	51
Note 8	Common Equity	52
Note 9	Preferred Stock	52
Note 10	Short-Term Debt and Lines of Credit	52
Note 11	Long-Term Debt	53
Note 12	Income Taxes	54
Note 13	Fair Value Measurements	56
Note 14	Derivative Instruments	57
Note 15	Employee Benefits	58
Note 16	Segment Information	62
Note 17	Commitments and Contingencies	63
Note 18	Supplemental Cash Flow Information	64
Note 19	Regulatory Environment	64
Note 20	Other Income, Net	66
Note 21	New Accounting Pronouncements	67

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.
NSG	North Shore Gas Company
PELLC	Peoples Energy, LLC
WBS	WEC Business Services LLC
WE	Wisconsin Electric Power Company
WEC Energy Group	WEC Energy Group, Inc.

Federal and State Regulatory Agencies	
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
ICC	Illinois Commerce Commission
IEPA	Illinois Environmental Protection Agency
IRS	United States Internal Revenue Service
SEC	Securities and Exchange Commission

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

Environmental Terms	
GHG	Greenhouse Gas
PCB	Polychlorinated Biphenyl

Measurements	
Bcf	Billion Cubic Feet
Dth	Dekatherm

Other Terms and Abbreviations	
AI	Artificial Intelligence
AIA	Affiliated Interest Agreement
CABO	Clean and Affordable Buildings Ordinance
CFR	Code of Federal Regulations
CODM	Chief Operating Decision Maker
Compensation Committee	Compensation Committee of the Board of Directors of WEC Energy Group
GCRM	Gas Cost Recovery Mechanism
ITC	Investment Tax Credit
NYMEX	New York Mercantile Exchange
Omnibus Stock Incentive Plan	WEC Energy Group Omnibus Stock Incentive Plan, Amended and Restated, Effective as of May 6, 2021
PHMSA	Pipeline and Hazardous Materials Safety Administration
QIP	Qualifying Infrastructure Plant
PRP	Pipe Retirement Program
RNG	Renewable Natural Gas
ROE	Return on Equity
S&P	Standard & Poor's
UEA	Uncollectible Expense Adjustment

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

In this report, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. These statements are "forward-looking statements." Readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements may be identified by reference to a future period or periods or by the use of terms such as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "goals," "guidance," "intends," "may," "objectives," "plans," "possible," "potential," "projects," "seeks," "should," "targets," "will," or variations of these terms.

Forward-looking statements include, among other things, statements concerning management's expectations and projections regarding earnings, completion of capital projects, sales and customer growth, rate actions and related filings with regulatory authorities, environmental and other regulations, including associated compliance costs, legal proceedings, effective tax rates, pension and OPEB plans, natural gas deliveries, remediation costs, climate-related matters, the WEC Energy Group capital plan, liquidity and capital resources, and other matters.

Forward-looking statements are subject to a number of risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in the statements. These risks and uncertainties include those described in Risk Factors and those identified below:

- Factors affecting utility operations such as catastrophic weather-related damage, environmental incidents, unplanned facility outages and repairs and maintenance, and natural gas pipeline system constraints;

- Factors affecting the demand for natural gas, including political or regulatory developments, varying, adverse, or unusually severe weather conditions, changes in economic conditions including continued economic growth, customer growth and declines, commodity prices, and energy conservation efforts;

- The timing, resolution, and impact of rate cases and negotiations, including recovery of deferred and current costs and the ability to earn a reasonable return on investment, and other regulatory decisions impacting our regulated operations;

- The impact of federal, state, and local legislative and/or regulatory changes, including changes in rate-setting policies or procedures, the results of rate orders, deregulation and restructuring of the natural gas utility industry, transmission or distribution system operation, changes to address energy affordability concerns, the approval process for new construction, reliability standards, pipeline integrity and safety standards, allocation of energy assistance, energy efficiency mandates, electrification initiatives and other efforts to reduce the use of natural gas, and tax laws, including those that affect our ability to use ITCs, as well as changes in the interpretation and/or enforcement of any laws or regulations by regulatory agencies;

- Federal, state, and local legislative and regulatory changes relating to the environment, including changing environmental regulations, the enforcement of these laws and regulations, changes in and uncertainty regarding the interpretation of regulations or permit conditions by regulatory agencies, and the recovery of associated remediation and compliance costs;

- The ability to obtain and retain customers, including wholesale customers, due to increased competition in our natural gas markets from retail choice, and continued industry consolidation;

- The timely completion of capital projects within budgets and the ability to recover the related costs through rates;

- The impact of changing expectations and demands of our customers, regulators, investors, and other stakeholders;

- The risk of delays and shortages, and increased costs of equipment, materials, or other resources that are critical to our business operations and corporate strategy, as a result of changes to U.S. trade policy (including changes to tariffs on imports, port fees, and other trade policy tools) as well as changes to foreign governments' trade policies impacting U.S. exports, supply chain disruptions, inflation, and other factors;

- The impact of public health crises, including epidemics and pandemics, on our business functions, financial condition, liquidity, and results of operations;

- Risks inherent in natural gas transportation, distribution, and storage activities, including leaks, accidental explosions, mechanical problems, fires, discharges or releases of toxic or hazardous substances or gases, and risks related to the ability to obtain adequate insurance to cover such events;

- The risks associated with inflation and changing commodity prices, including natural gas;

- The availability and cost of sources of natural gas due to high demand, shortages, transportation problems, nonperformance by natural gas suppliers under existing natural gas supply contracts, or other developments;

- Any impacts on the global economy, including from sanctions, and impacts on supply chains and fuel prices, generally, from increasing tensions between the United States and other countries or from other new, protracted or escalating regional or international conflicts;

- Changes in credit ratings, interest rates, and our ability to access the capital markets, caused by volatility in the global credit markets, our capitalization structure, and market perceptions of the utility industry or us;

- Costs and effects of litigation, administrative proceedings, investigations, settlements, claims, and inquiries;

- The direct or indirect effect on our business resulting from terrorist or other physical attacks and cybersecurity intrusions, as well as the threat of such incidents, including the failure to maintain the security of personally identifiable information, the associated costs to protect our utility assets, technology systems, and personal information, and the costs to notify affected persons to mitigate their information security concerns and to comply with state notification laws;

- The risk of financial loss, including increases in bad debt expense, associated with the inability of our customers, counterparties, and affiliates to meet their obligations;

- Changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading markets, and fuel suppliers and transporters;

- The investment performance of our employee benefit plan assets, as well as unanticipated changes in related actuarial assumptions, which could impact future funding requirements;

- Factors affecting the employee workforce, including loss of key personnel, internal restructuring, work stoppages, and collective bargaining agreements and negotiations with union employees;

- Advances in technology, and related legislation or regulation supporting the use of that technology, that result in competitive disadvantages and create the potential for impairment of existing assets;

- Risks involved in developing and implementing AI, including data privacy concerns or other legal liability, new or enhanced governmental or regulatory scrutiny or regulations governing the use of AI, the ability to meet expectations or requirements relating to adoption or implementation of AI technology, or other complications related to the use of AI;

- Potential business strategies to acquire and dispose of assets, which cannot be assured to be completed timely or within budgets;

- The timing and outcome of any audits, disputes, and other proceedings related to taxes;

- The effect of accounting pronouncements issued periodically by standard-setting bodies; and

- Other considerations disclosed elsewhere herein and in reports WEC Energy Group files with the SEC or in other publicly disseminated written documents.

Except as may be required by law, we expressly disclaim any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

BUSINESS

A. INTRODUCTION

In this report, when we refer to "us," "we," "our," or "ours," we are referring to The Peoples Gas Light and Coke Company. The term "utility" refers to our regulated activities, while the term "non-utility" refers to our activities that are not regulated, as well as the activities of our subsidiary, Peoples Gas Neighborhood Development Corporation, which are not significant. References to "Notes" are to the Notes to the Consolidated Financial Statements included in this Annual Report.

We are a natural gas utility company that began operations in 1855. We are an Illinois corporation and are wholly owned by PELLC, which is an indirect wholly owned subsidiary of WEC Energy Group. Our two reportable segments are natural gas utility and other. No significant items were reported in the other segment for any of the years presented in this Annual Report.

For more information about our natural gas utility operations, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations. For information about our business strategy, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Corporate Developments.

Available Information

WEC Energy Group's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports are made available on its website, www.wecenergygroup.com, free of charge, as soon as reasonably practicable after they are filed with or furnished to the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

WEC Energy Group has adopted a written code of ethics, referred to as its Code of Business Conduct. We are an indirect wholly owned subsidiary of WEC Energy Group, and as such, all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer, have a responsibility to comply with WEC Energy Group's Code of Business Conduct. WEC Energy Group has posted its Code of Business Conduct in the "Governance" section on its website, www.wecenergygroup.com. WEC Energy Group has not provided any waiver to the Code for any of our directors, officers, or other employees.

B. NATURAL GAS UTILITY OPERATIONS

We provide natural gas utility service to residential, commercial and industrial, and transportation customers in Chicago, Illinois. Major industries served include real estate, non-profits, education, restaurants, and wholesale distributors. See Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Natural Gas Utility Segment Contribution to Net Income for information on natural gas sales volumes by customer class.

Operating Revenues

For information about our operating revenues disaggregated by customer class for the years ended December 31, 2025, 2024, and 2023, see Note 3, Operating Revenues. For more information about our significant accounting policies related to the recognition of revenues, see Note 1(d), Operating Revenues.

Customers

	Year Ended December 31		
(in thousands)	**2025**	**2024**	**2023**
Customers – end of year			
Residential	**793.8**	786.0	780.5
Commercial and industrial	**60.6**	60.8	61.1
Transportation	**43.9**	47.8	49.5
Total customers	**898.3**	894.6	891.1

Natural Gas Supply, Pipeline Capacity and Storage

We manage portfolios of natural gas supply contracts, storage services, and pipeline transportation services designed to meet varying customer use patterns. For more information on our natural gas utility supply and transportation contracts, see Note 17, Commitments and Contingencies.

Pipeline Capacity and Storage

We have long-term firm capacity contracts with interstate pipelines that access supply from a variety of natural gas producing areas. This strategy reflects management's belief that overall supply security is enhanced by geographic diversification of the supply portfolio.

We own a 38.8 Bcf storage field (Manlove Field in central Illinois) and contract with various other underground storage service providers for additional storage services. Storage allows us to manage significant changes in daily natural gas demand and to purchase steady levels of natural gas on a year-round basis, which provides a hedge against supply cost volatility. We also own a natural gas pipeline system that connects Manlove Field to Chicago and nine major interstate pipelines. These assets are directed primarily to serving rate-regulated retail customers and are included in our regulatory rate base. We also use a portion of these company-owned storage and pipeline assets as a natural gas hub, which consists of providing transportation and storage services in interstate commerce to our wholesale customers. Customers deliver natural gas to us for storage through an injection into the storage reservoir, and we return the natural gas to the customers under an agreed schedule through a withdrawal from the storage reservoir. Title to the natural gas does not transfer to us. We recognize service fees associated with the natural gas hub services provided to wholesale customers. These service fees reduce the cost of natural gas and services charged to retail customers in rates.

Combined with our storage capability, management believes that the volume of natural gas under contract is sufficient to meet our forecasted firm peak-day and seasonal demand. Our forecasted design peak-day throughput is 20.8 million therms for the 2025 through 2026 heating season. Our peak daily send-out during 2025 was 16.0 million therms on January 21, 2025. Peak or near-peak demand generally occurs only a few times each year. Natural gas pipeline capacity and storage and natural gas supplies under contract can be resold in secondary markets. The secondary markets facilitate utilization of capacity and supply during times when the contracted capacity and supply are in excess of utility demand. The proceeds from these transactions are passed through to customers, subject to our approved GCRM. For information on the GCRM, see Note 1(d), Operating Revenues.

Natural Gas Supply

Our natural gas supply requirements are met through a combination of fixed-price purchases, index-priced purchases, storage, peak-shaving facilities, and natural gas supply call options. We contract for fixed-term firm natural gas supply each year to meet the demand of firm system sales customers. To supplement natural gas supply and manage risk, we purchase additional natural gas supply on the monthly and daily spot markets.

Hedging Natural Gas Supply Prices

As part of our hedging programs, we further reduce our supply cost volatility through the use of a mix of financial instruments, such as NYMEX-based natural gas options and futures contracts. Our hedging programs are reviewed by the ICC as part of the annual purchased gas adjustment reconciliation. We hedge between 25% and 50% of planned natural gas purchases, with a target of 37.5%.

Natural Gas Pipe Retirement Program

In February 2025, the ICC issued an order setting expectations for our prospective operations. The ICC directed us to focus on retiring all cast and ductile iron pipe that has a diameter under 36 inches by January 1, 2035. The ICC also indicated that failure to comply with this directive could subject us to civil penalties under Illinois statute. We are working to retire this cast and ductile iron pipe through our PRP. Costs incurred under the PRP will be evaluated for prudency by the ICC in future rate cases. In addition, the program will be overseen by a safety monitor hired by the ICC.

For information on regulatory proceedings related to the PRP, see Note 19, Regulatory Environment, and Factors Affecting Results, Liquidity, and Capital Resources – Regulatory, Legislative, and Legal Matters – Illinois Proceedings.

Seasonality

Since the majority of our customers use natural gas for heating, customer use is sensitive to weather and is generally higher during the winter months. Accordingly, we are subject to some variations in earnings and working capital throughout the year as a result of changes in weather. The effect on earnings from these changes in weather are reduced by the decoupling mechanism included in our rates. This mechanism allows us to recover or refund the differences between actual and authorized margins for certain customer classes.

Our working capital needs are met by cash generated from operations and debt (both long-term and short-term). The seasonality of natural gas revenues causes the timing of cash collections to be concentrated from January through June. A portion of our winter natural gas supply needs is typically purchased and stored from April through November. Also, planned capital spending on our natural gas distribution facilities is concentrated in April through November. Because of these timing differences, the cash flow from customers is typically supplemented with temporary increases in short-term borrowings (from external sources) during the late summer and fall. Short-term debt is typically reduced over the January through June period.

Competition

We face varying degrees of competition from other entities and other forms of energy available to consumers. Many large commercial and industrial customers have the ability to switch between natural gas and alternative fuels. Electrification initiatives or mandates are being considered or proposed by local and state governments. In addition, all of our natural gas customers have the opportunity to choose a natural gas supplier other than us. We offer natural gas transportation services for customers that elect to purchase natural gas directly from a third-party supplier. We continue to earn distribution revenues from these transportation customers for their use of our distribution systems to transport natural gas to their facilities. As such, the loss of revenue associated with the cost of natural gas that our transportation customers purchase from third-party suppliers has little impact on our net income, as it is offset by an equal reduction to natural gas costs.

For more information on electrification initiatives, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Results, Liquidity, and Capital Resources – Regulatory, Legislative, and Legal Matters – Chicago Decarbonization Efforts.

For more information on competition in our service territory, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Results, Liquidity, and Capital Resources – Competitive Markets.

Methane Emission Reductions

WEC Energy Group continues to focus on methane emission reductions by improving and upgrading its natural gas distribution systems, including ours, and using RNG throughout its natural gas utility systems. The RNG supplied is replacing higher-emission methane from natural gas that would have entered its pipes.

C. REGULATION

In addition to the specific regulations noted below, we are also subject to various other regulations, which primarily consist of regulations, where applicable, of the EPA, the IEPA, the Illinois Department of Natural Resources, and the United States Army Corps of Engineers.

Rates

Our natural gas rates are subject to the regulations and oversight of the ICC. Decisions made by the ICC can significantly impact our liquidity, financial condition, and results of operations. The ICC has general supervisory and regulatory powers over public utilities in Illinois including, but not limited to, approval of retail utility rates and standards of service, security issuances, mergers, affiliate transactions, location and construction of natural gas facilities, and certain other additions and extensions to utility facilities.

Historically, natural gas rates approved by the ICC have been designed to provide utilities the opportunity to generate revenues to recover all prudently-incurred costs, along with a return on investment sufficient to pay interest on debt and provide a reasonable

ROE. Rates charged to customers vary according to customer class. Our approved ROE and approved average common equity component were as follows during 2025:

	Regulatory Commission	Authorized ROE	Average Common Equity Component
Regulated Retail Rates	ICC	9.38%	50.79%

In addition to amounts collected from customers through approved base rates, we have certain recovery mechanisms in place that allow us to recover or refund prudently incurred costs that differ from those approved in base rates. Embedded within our rates is an amount to recover natural gas costs. We operate under a GCRM as approved by the ICC. Generally, the GCRM allows for dollar-for-dollar recovery of prudently incurred natural gas costs. See Note 1(d), Operating Revenues, for more information on the significant mechanisms we had in place during 2025 that allowed us to recover or refund changes in prudently incurred costs from rate case-approved amounts.

We file periodic requests with the ICC to request changes in natural gas rates. Our rate requests are based on forward looking test years, which reflect additions to infrastructure and changes in costs incurred or expected to be incurred. For information on our regulatory proceedings, see Note 19, Regulatory Environment. Orders from the ICC can be viewed at https://www.icc.illinois.gov/. The materials and information contained on this website are not intended to be a part of, nor are they incorporated by reference into, this Annual Report.

Other Natural Gas Regulations

Almost all of the natural gas we distribute is transported to our distribution system by interstate pipelines. The pipelines' transportation and storage services, including our natural gas hub, are regulated by the FERC under the Natural Gas Act and the Natural Gas Policy Act of 1978. In addition, the PHMSA and the ICC are responsible for monitoring and enforcing requirements governing our natural gas safety compliance programs for our pipelines under the United States Department of Transportation regulations. These regulations include 49 CFR Part 191 (Transportation of Natural and Other Gas by Pipeline; Annual Reports, Incident Reports, and Safety-Related Condition Reports), 49 CFR Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), and 49 CFR Part 195 (Transportation of Hazardous Liquids by Pipeline).

We also continue to monitor the progress of the PHMSA’s proposed rulemaking titled "Gas Pipeline Leak Detection and Repair," which could have a significant impact on us.

We are required to provide service and grant credit (with applicable deposit requirements) to customers within our service territory. The Illinois Public Utilities Act and ICC Administrative Code restrictions generally do not allow us to discontinue service during winter moratorium months to residential heating customers who do not pay their bills. The Federal and Illinois governments have programs that provide for a limited amount of funding for assistance to our low-income customers.

Compliance Costs

The regulations and oversight described above significantly influence our operating environment, and may cause us to incur compliance and other related costs and may affect our ability to recover these costs from our utility customers. Any anticipated capital expenditures for compliance with government regulations for the next three years are included in the estimated capital expenditures described in Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Cash Requirements.

D. ENVIRONMENTAL COMPLIANCE

See Note 17, Commitments and Contingencies, for more information on our environmental matters.

E. HUMAN CAPITAL

We believe our employees are among our most important resources, so investing in human capital is critical to our success. We strive to attract, retain, and develop talented personnel and keep our employees safe, healthy, and engaged.

WEC Energy Group's Board of Directors retains collective responsibility for comprehensive risk oversight of WEC Energy Group and its subsidiaries, including critical areas that could impact our sustainability, such as human capital. Management regularly reports to WEC Energy Group's Board of Directors on human capital management topics, including corporate culture, succession planning, training and employee development, and safety and health. WEC Energy Group's Board of Directors delegates specified duties to its committees. In addition to its responsibilities relative to executive compensation, the Compensation Committee has oversight responsibility for reviewing organizational matters that could significantly impact us. The Compensation Committee reviews recruiting and development programs and priorities, receives updates on key talent, and assesses workforce composition across WEC Energy Group and its subsidiaries.

Workforce

As of December 31, 2025, we had 1,199 employees, including 819 that are represented under union agreements. We believe we have very good overall relations with our workforce. In order to attract and retain talent, we provide competitive wages and benefits to our employees based on their performance, role, location, and market data. Our compensation package also includes a 401(k) savings plan with an employer match, an annual incentive plan based on meeting company goals, healthcare and insurance benefits, vacation and paid time off days, as well as other benefits.

Engagement

We are committed to ensuring a fair workplace and an engaged workforce. Our commitment is a core strategic competency and an integral part of our culture, with longstanding programs for individual development, reinforcement of core values, and a recruitment strategy that is focused on building a deep talent pipeline to support our business needs. During 2025, we demonstrated this commitment through training and development of employees at all levels of the organization, our comprehensive merit review and succession planning processes, and a range of community partnerships. In addition, WEC Energy Group has a number of initiatives that promote workforce contributions and participation and ensure its companies, including us, are attractive employers for persons of all backgrounds. These initiatives include nine business resource groups (voluntary, employee-led groups organized around a particular shared background or interest), mentoring programs, and education and training for all employees in order to develop and support inclusive teams. We are committed to a workplace free from bias and harassment. We also support external leadership and educational programs that support, train, and promote individuals in the communities we serve.

Safety and Health

WEC Energy Group's Executive Safety Committee directs our safety and health strategy, works to ensure consistency across groups, and reinforces our ongoing safety commitment that we refer to as “Target Zero.” Under our Target Zero commitment, we have an ultimate goal of zero incidents, accidents, and injuries. Our corporate safety program provides a forum for addressing employee concerns, training employees and contractors on current safety standards, and recognizing those who demonstrate a safety focus. We monitor and set goals for days away, restricted or transferred metrics, and measurable leading indicators, which together raise awareness about employee safety and guide injury-prevention activities.

We also provide employees various benefits and resources designed to promote healthy living, both at work and at home. We encourage employees to receive preventive examinations and to proactively care for their health through free health screenings, wellness challenges, and other resources.

Development and Training

Employee training and development of both technical and leadership skills are integral aspects of our human capital strategy. We provide employees with a wide range of development opportunities, including online training, simulations, live classes, and mentoring to assist with their career advancement. These programs include safety and technical job skill training as well as soft-skill programs focused on relevant subjects, including communication and change management. Development of leadership skills remains a top priority and is specialized for all levels of employees. We have specific leadership programs for aspiring leaders and new supervisors, managers, and directors. This development of our employees is an integral part of our succession planning and provides continuity for our senior leadership.

RISK FACTORS

We are subject to a variety of risks, many of which are beyond our control, that may adversely affect our business, financial condition, and results of operations. You should carefully consider the following risk factors, as well as the other information included in this report, when making an investment decision.

Risks Related to Legislation and Regulation

Our business is significantly impacted by governmental legislation, regulation, and oversight.

We are subject to significant state, local, and federal governmental legislation and regulations, including regulations by the ICC and the FERC. Legislation and regulation significantly influence our operating environment, may affect our ability to recover costs from utility customers, affect our ability to implement WEC Energy Group's corporate strategy, and cause us to incur substantial compliance and other costs. Changes in legislation or regulations, their interpretation, or the imposition of new legislation or regulations could also significantly impact our business operations. Many aspects of our operations are impacted by government legislation and regulations, including, but not limited to: the rates we charge our retail natural gas customers; our authorized rate of return; construction and operation of natural gas distribution systems, including the ability to recover such costs; participation in the interstate natural gas pipeline capacity market; standards of service; issuance of debt securities; short-term debt obligations; transactions with affiliates; and billing practices. Failure to comply with any applicable rules or regulations may lead to customer refunds, penalties, and other payments, which could materially and adversely affect our results of operations and financial condition.

The rates, including adjustments determined under riders, we are allowed to charge our customers for retail services have the most significant impact on our financial condition, results of operations, and liquidity. Rate regulation provides us an opportunity to recover prudently incurred costs and earn a reasonable rate of return on invested capital. However, our ability to obtain rate adjustments in the future is dependent upon regulatory action, the outcome of which can be influenced by the level of opposition by intervening parties; potential rate impacts; increasing levels of regulatory review; and changes in the political, regulatory, or legislative environments. There is no assurance that our regulators will consider all of our costs to have been prudently incurred. In addition, our rate proceedings may not always result in rates that fully recover our costs or provide for a reasonable ROE. We defer certain costs and revenues as regulatory assets and liabilities for future recovery from or refund to customers, as authorized by the ICC. Future recovery of regulatory assets is not assured and is subject to review and approval by the ICC. If recovery is not approved or is no longer deemed probable, these costs would be recognized in current period expense and could have a material adverse impact on our results of operations, cash flows, and financial condition.

Changes in the local and national political, regulatory, and economic environment, including significant attention on energy affordability concerns, have had, and may in the future have, an adverse effect on regulatory decisions, which could impair our ability to recover costs historically collected from customers. These decisions, which may come from any level of government, may cause us to cancel or delay current or planned projects, to reduce or delay other planned capital expenditures, or to pay for investments or otherwise incur costs that we may not be able to recover through rates or otherwise. For example, the ICC's 2023 final rate order disallowed certain previously incurred capital costs, which resulted in us recording an impairment loss in the fourth quarter of 2023, and caused us to pause spending on our PRP. We will include the costs of necessary infrastructure improvements related to the PRP in future rate cases, thereby subjecting the recovery of these costs to regulatory lag. In addition, in February 2025, the ICC issued an order setting expectations for our prospective operations under our PRP. The ICC directed us to focus on replacing all cast and ductile iron pipe that has a diameter under 36 inches by January 1, 2035. The ICC also indicated that failure to comply with this directive could subject us to civil penalties under Illinois statute.

Prior to its expiration in December 2023, the QIP rider provided us with recovery of, and a return on, qualifying natural gas infrastructure investments that were placed in service between regulatory rate reviews. This rider continues to be subject to an annual reconciliation whereby costs are reviewed for accuracy and prudency. In February 2026, we agreed on the terms of a proposed settlement that would, among other things, resolve all proceedings of the open reconciliation years related to the QIP rider. As a result, we recorded a charge to income during the fourth quarter of 2025 through an impairment to net property, plant, and equipment and a reduction to revenues. The proposed settlement is subject to ICC approval. Otherwise, there can be no assurance that all costs incurred under the QIP rider during the open reconciliation years, including 2017 through 2023, will be deemed recoverable by the ICC, which could have a material adverse impact on our results of operations, financial condition, and liquidity.

We believe we have obtained the necessary permits, approvals, authorizations, certificates, and licenses for our existing operations, have complied in all material respects with all of their associated terms, and that our business is conducted in accordance with applicable laws. These permits, approvals, authorizations, certificates, and licenses may be revoked or modified by the agencies that granted them if facts develop that differ significantly from the facts assumed when they were issued. In addition, permits and other approvals and licenses are often granted for a term that is less than the expected life of the associated facility and may require periodic renewal, which may result in additional requirements being imposed by the granting agency. In addition, existing regulations may be revised or reinterpreted by federal, state, and local agencies, or these agencies may adopt new laws and regulations that apply to us. We cannot predict the impact on our business and operating results of any such actions by these agencies.

If we are unable to recover costs of regulatory compliance or other associated costs in customer rates in a timely manner, or if we are unable to obtain, renew, or comply with these governmental permits, approvals, authorizations, certificates, or licenses, our results of operations and financial condition could be materially and adversely affected.

We face significant costs to comply with existing and future environmental laws and regulations.

Our operations are subject to extensive and evolving federal, state, and local environmental laws, regulations, and permit requirements related to, among other things, air emissions (including, but not limited to methane), protection of natural resources, water quality, wastewater discharges, management of hazardous and toxic substances and solid wastes and soils, and climate change. Many of these rules are now the subject of a large deregulatory effort by the EPA and have resulted, and are expected to continue to result in, the adoption of new federal, state, and/or local level laws and regulations. Any EPA actions will require formal rulemaking proceedings and are likely to be subject to legal challenges. We continue to monitor the evolving regulatory landscape and standards for impacts on our business operations and financial condition.

We incur significant capital costs and expend operating resources to comply with environmental laws, regulations, and requirements, including costs associated with operating restrictions on our facilities; and environmental monitoring, emission fees, and permits at our facilities. Failure to comply with these laws, regulations, and requirements, even if caused by factors beyond our control, may result in the assessment of civil or criminal penalties and fines. We continue to assess the cost of compliance and to explore different compliance alternatives with these and other environmental regulations.

We are also subject to significant liabilities related to the investigation and remediation of environmental impacts at certain of our current and former facilities and at third-party owned sites. We accrue liabilities and defer costs (recorded as regulatory assets) incurred in connection with our former manufactured gas plant sites. These costs include all costs incurred to date that we expect to recover, management's best estimates of future costs for investigation and remediation and related legal expenses, and are net of amounts recovered (or that may be recovered) from insurance or other third parties. Due to the potential for the imposition of stricter standards and greater regulation in the future, the possibility that other potentially responsible parties may not be willing or financially able to contribute to cleanup costs, a change in conditions or the discovery of additional contamination, our remediation costs could increase, and the timing of our capital and/or operating expenditures in the future may accelerate or could vary from the amounts currently accrued.

Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental laws and regulations, occurs frequently throughout the United States. This litigation has included claims for damages alleged to have been caused by GHG and other emissions and exposure to regulated substances and/or requests for injunctive relief in connection with such matters. In addition to claims relating to our current facilities, we may also be subject to potential liability in connection with the environmental condition of facilities that we previously owned and operated, regardless of whether the liabilities arose before, during, or after the time we owned or operated these facilities. If we fail to comply with environmental laws and regulations or cause (or caused) harm to the environment or persons, that failure or harm may result in the assessment of civil penalties and damages against us. The incurrence of a material environmental liability or a material judgment in any action for personal injury or property damage related to environmental matters could have a material adverse effect on our results of operations and financial condition.

In the event we are not able to recover all of our environmental expenditures and related costs from our customers in the future, our results of operations and financial condition could be adversely affected. Further, increased costs recovered through rates could contribute to reduced demand for natural gas, which could adversely affect our results of operations, cash flows, and financial condition.

Our operations, capital expenditures, and financial results may be affected by the impact of greenhouse gas legislation and regulation.

There has been significant attention to issues concerning climate change as well as activism from certain stakeholders, including institutional investors and other sources of financing, to accelerate the transition to limit GHG emissions. Although the EPA is pursuing a large deregulatory effort of GHG laws and regulations, significant laws and regulations restricting emissions of GHGs continue to impact our current and planned operations. Costs associated with such legislation and regulation could be significant within our natural gas operations. New or additional restrictive GHG legislation or regulations may cause our environmental compliance spending to differ materially from the amounts currently estimated. There is no guarantee that we will be allowed to fully recover compliance costs of these and other federal and state regulations, or that cost recovery will not be delayed or otherwise conditioned. GHG legislation, regulation, or the emission reduction goal, as well as changes in the fuel markets and advances in technology could also adversely affect our future results of operations, cash flows, and financial condition.

In a movement toward electrification, certain states and municipalities in our service territory have passed legislation or are considering ordinances banning natural gas used in new construction in order to limit GHG emissions. For example, the ICC is exploring the role of natural gas in the future and issues related to decarbonization of the natural gas distribution system in Illinois. There have also been efforts to restrict residential natural gas-fired appliances. Future actions like these to regulate GHG emissions in our service territory could increase the price of natural gas resulting in reduced demand for, and revenues from, natural gas, cause us to accelerate the replacement and/or updating of our natural gas delivery system, and adversely affect our ability to operate our natural gas facilities. These types of initiatives and/or mandates could result in increased costs associated with permitting and siting of new technologies and delayed installation and start-up timelines.

We continue to monitor the financial and operational feasibility of taking more aggressive action to further reduce GHG emissions in order to limit future global temperature increases. The ability to achieve these reductions depends on many external factors, including the ability to make operating refinements, the development of relevant energy technologies, the use of RNG throughout WEC Energy Group's natural gas utility systems, the ability to procure renewable thermal credits, the ability to maintain reliability with demand growth, and the ability of WEC Energy Group to execute its capital plan.

Changes in tax legislation, IRS audits, or our inability to use certain tax benefits and carryforwards, may adversely affect our financial condition, results of operations, and cash flows, as well as our credit ratings.

Tax legislation and regulations can adversely affect, among other things, our financial condition, results of operations, cash flows, liquidity, and credit ratings.

Future changes to corporate tax rates or policies, including under Treasury Regulations and guidance issued, could require us to take material charges against earnings. Such changes include, among other things, increasing the federal corporate income tax rate, disallowing or limiting the use of tax benefits and carryforwards, limiting interest deductions, and altering the expensing of capital expenditures. Our inability to manage these changes, an adverse determination by one of the applicable taxing jurisdictions, or additional interpretations, implementing regulations, amendments, or technical corrections by the Treasury Department, the IRS, or state income tax authorities, could significantly impact our financial results and cash flows.

We have significantly reduced our federal and state income tax liabilities in the past through tax credits, net operating losses, and charitable contribution deductions. A reduction in or disallowance of these tax benefits could adversely affect our earnings and cash flows. We have not fully used these allowed tax benefits in our previous tax filings and have carried them forward to use against future taxable income. Our inability to generate sufficient taxable income in the future to fully use these tax carryforwards before they expire, could significantly affect our tax obligations and financial results.

We are also uncertain as to how credit rating agencies, capital markets, the FERC, or the ICC will treat any future changes to federal or state tax legislation. These impacts could subject us to credit rating downgrades. In addition, certain financial metrics used by credit rating agencies, such as funds from operations-to-debt percentage, could be negatively impacted by changes in federal or state income tax legislation.

Risks Related to the Operation of Our Business

Public health crises, including epidemics and pandemics, could adversely affect our business functions, financial condition, liquidity, and results of operations.

Public health crises, including epidemics and pandemics, and any related government responses may adversely impact the economy and financial markets and could have a variety of adverse impacts on us, including a decrease in revenues; increased bad debt expense; increases in past due accounts receivable balances; and access to the capital markets at unreasonable terms or rates. These crises and any related government responses could also impair our ability to develop, construct, and operate facilities. Risks include extended disruptions to supply chains and inflation, resulting in increased costs for labor, materials, and services, which could adversely impact WEC Energy Group's ability to implement its corporate strategy. We may also be adversely impacted by labor disruptions and productivity as a result of infections, employee attrition, or the inability to replace or maintain appropriate staffing. The extent to which future public health crises may affect us depends on factors beyond our knowledge or control. As a result, we are unable to determine the potential impact any such public health crises may have on our business plans and operations, liquidity, financial condition, and results of operations.

Our operations are subject to risks arising from the reliability and safety of our natural gas distribution and infrastructure facilities and natural gas storage field.

Our financial performance depends on the successful operation of our natural gas distribution and infrastructure facilities and natural gas storage field. Inherent in natural gas transportation, distribution, and storage activities are a variety of hazards and operational risks, including accidents; operator error, and the breakdown or failure of equipment or processes including leaks, accidental explosions, mechanical problems, fires, discharges or releases of toxic or hazardous substances or gases, and other environmental risks. Potential breakdown or failure may occur due to severe weather (i.e., storms, tornadoes, floods, droughts, etc.); catastrophic events (i.e., fires, earthquakes, and explosions); public health crises; transportation disruptions; accidents; employee labor disputes; construction delays or cost overruns; delays in the replacement of aging infrastructure, shortages of or delays in obtaining equipment, material, and/or labor; performance below expected levels; operating limitations that may be imposed by environmental or other regulatory requirements; terrorist or other physical attacks; or cybersecurity intrusions. The location of natural gas pipelines and storage facilities near populated areas could increase the level of damages resulting from these risks.

These hazards and operational risks could result in serious injury to employees and non-employees, loss of human life, significant damage to property, environmental pollution, and impairment of operations. They may also subject us to litigation and/or administrative proceedings from time to time, which could result in substantial monetary judgments, fines, or penalties against us, or be resolved on unfavorable terms. Any of these events could lead to substantial financial losses, including increased maintenance costs, unanticipated capital expenditures, and a reduction of revenues, which could materially and adversely affect our results of operations, financial condition, and cash flows.

Our natural gas operations depend upon the availability of adequate interstate pipeline transportation capacity and natural gas.

We purchase almost all of our natural gas supply from interstate sources that must be transported to our service territory. Interstate pipeline companies transport the natural gas to our natural gas system under firm service agreements that are designed to meet the requirements of our core market. A significant disruption to interstate pipelines capacity or reduction in natural gas supply due to events including, but not limited to, operational failures or disruptions, hurricanes, tornadoes, floods, freeze off of natural gas wells, terrorist or physical attacks, cyberattacks, other acts of war, or legislative or regulatory actions or requirements, including remediation related to integrity inspections or regulations and laws enacted to address climate change or other environmental matters, could reduce the normal interstate supply of natural gas and thereby significantly disrupt our operations and/or reduce earnings.

Our operations are subject to various conditions that can result in fluctuations in natural gas sales to customers, including fluctuations in customer growth and general economic conditions in our service area, varying weather conditions, and energy conservation efforts.

Our results of operations and cash flows are affected by the demand for natural gas, which can vary greatly based upon:

- *Fluctuations in customer growth and general economic conditions in our service area.* Customer growth and natural gas use can be negatively impacted by population declines as well as economic factors in our service territory, including workforce

reductions, stagnant wage growth, changing levels of support from state and local government for economic development, business closings, and reductions in the level of business investment. Our natural gas operations are impacted by economic cycles and the competitiveness of the commercial and industrial customers we serve. Any economic downturn, disruption of financial markets, or reduced incentives by state government for economic development could adversely affect the financial condition of our customers and demand for their products or services. These risks could directly influence the demand for natural gas. We could also be exposed to greater risks of accounts receivable write-offs if customers are unable to pay their bills.

- *Weather conditions*. Demand for natural gas peaks in the winter heating season. As a result, our overall results may fluctuate on a seasonal basis and could be negatively impacted by milder temperatures during the winter heating season.
- *Our customers' continued focus on energy conservation*. Our customers' use of natural gas has decreased as a result of continued individual conservation efforts, including the use of more energy efficient technologies, and could be further reduced by new building codes, distributed energy resources, and energy storage technology. Customers could also voluntarily reduce their consumption of natural gas in response to decreases in their disposable income and increases in natural gas prices. Conservation of energy can be influenced by certain federal and state programs that are intended to influence how consumers use energy.

As part of our planning process, we estimate the impacts of changes in customer growth and general economic conditions, weather, and customer energy conservation efforts, but risks still remain. Any of these matters, as well as any regulatory delay in adjusting rates as a result of fluctuations in natural gas demand or the adoption of new technologies, could adversely impact our results of operations and financial condition. In addition, elimination or reduced financial support of programs that provide energy assistance to our customers, including the Low Income Home Energy Assistance Program, could impact the demand for energy and/or adversely impact our liquidity.

Our operations are subject to the effects of global climate change.

A changing climate creates uncertainty and could result in broad changes, both physical and financial in nature, to our service territory. If climate changes occur that result in extreme temperatures in our service territory, our financial results could be adversely impacted by lower natural gas usage and higher natural gas costs. Our operations could be adversely affected and our facilities placed at greater risk of damage should changes in global climate produce, among other possible conditions, unusual variations in temperature and weather patterns, which could result in more intense, frequent and extreme weather events, such as storms, including derecho events, with high winds, lightning, and hail, floods, drought, wild fires, tornadoes, snow and ice storms, or abnormal levels of precipitation. An extreme weather event could result in damage to operating equipment. This could result in us incurring significant restoration costs and foregoing sales of natural gas and lost revenues. Additionally, an extreme weather event could also cause the cost of natural gas purchased for our customers to be temporarily driven significantly higher than our normal winter weather expectations. Although we have a regulatory mechanism in place for recovering all prudently incurred natural gas costs, the ICC could disallow recovery or order the refund of any costs determined to be imprudent.

Any of these events could lead to substantial financial losses including increased maintenance costs or unanticipated capital expenditures. The cost of storm restoration efforts may also not be fully recoverable through the regulatory process.

Changes in WEC Energy Group's corporate strategy to combat climate change, including mitigation and adaptation efforts and technology advancement, may materially adversely impact our results of operations and cash flows.

Our operations and future results may be impacted by changing expectations and demands of our customers, regulators, investors, and other stakeholders.

Our ability to execute WEC Energy Group's corporate strategy and achieve anticipated financial outcomes is influenced by the expectations of our customers, regulators, investors, and other stakeholders. Those expectations are based in part on the core fundamentals of affordability and reliability but are also increasingly focused on our ability to meet rapidly changing demands for new and varied products, services, and offerings. Efforts to roll back certain environmental rules and social policies and programs may conflict with the expectations of our customers, regulators, or investors, creating additional uncertainty as we look to balance our stakeholders' competing priorities, and could lead to litigation and government investigations. Failure to meet these expectations or to adequately address the risks and external pressures may impact our reputation and affect our ability to achieve favorable outcomes in future rate cases or our results of operations. Furthermore, the increasing use of social media may accelerate and increase the potential scope of negative publicity we might receive and could increase the negative impact on our reputation, business, results of operations, and financial condition.

Our operations and WEC Energy Group's corporate strategy may be adversely affected by supply chain disruptions, inflation, and tariffs.

Our business is dependent on the global supply chain to ensure that equipment, materials, and other resources are available to both expand and maintain services in a safe and reliable manner. Increased tensions between the United States and other countries, as well as new, protracted, or escalating regional or international conflicts, could result in domestic and global supply chain disruptions that delay the delivery, or result in shortages of, materials, equipment, and other resources that are critical to our business operations. Failure to eliminate or manage the constraints in the supply chain may eventually impact the availability of items that are necessary to support normal operations as well as materials that are required to implement WEC Energy Group's corporate strategy for continued utility and infrastructure growth.

Prices of equipment, materials, and other resources have increased and may continue to increase in the future, as a result of supply chain disruptions, inflation, and tariffs. Further governmental actions related to trade policy could exacerbate global supply chain disruptions and/or inflation. Increased costs for labor, materials, and services, as a result of supply chain disruptions, inflation, or tariffs, and failure to secure these resources on economically acceptable terms, as well as any regulatory delay in adjusting rates to account for increased costs, may adversely impact our business operations, financial condition, and/or capital plan.

We are actively involved with multiple significant capital projects, which are subject to a number of risks and uncertainties that could adversely affect project costs and completion of construction projects.

Our business requires substantial capital expenditures for investments in, among other things, capital improvements to our natural gas distribution infrastructure, natural gas storage, and other projects, including projects for environmental compliance. In addition, we continue to invest in technology and the development of software applications to support our business.

Achieving the intended benefits of any large construction project, including the PRP, is subject to many uncertainties, some of which we will have limited or no control over, that could adversely affect project costs and completion time. Additional risks include, but are not limited to, the ability to adhere to established budgets and time frames; the availability of labor or materials at estimated costs; the ability of contractors to perform under their contracts; strikes; adverse weather conditions; potential legal challenges; changes in applicable laws or regulations; rising interest rates; inflation; tariffs; the impact of public health crises; other governmental actions; continued public and policymaker support for such projects; and events in the global economy.

Certain of these projects require the approval of the ICC. If construction of ICC-approved projects should materially and adversely deviate from the schedules, estimates, and/or projections on which the approval was based, the ICC may deem the additional capital costs as imprudent and disallow recovery of them through rates. In addition, the ICC, in a future rate proceeding, may alter the timing or amount of certain costs for which recovery is allowed.

To the extent that delays occur, costs become unrecoverable, or we otherwise become unable to effectively manage and complete capital projects, our results of operations, cash flows, and financial condition may be adversely affected.

Our operations are subject to risks beyond our control, including but not limited to, cybersecurity intrusions, terrorist or other physical attacks, acts of war, or unauthorized access to personally identifiable information.

We have been subject to attempted cyber attacks from time to time, and will likely continue to be subject to such attempted attacks; however, these prior attacks have not had a material impact on our system or business operations. All of our assets and systems are potentially vulnerable to disability, failures, or unauthorized access due to physical or cybersecurity intrusions caused by human error, vendor bugs, terrorist or other physical attacks, acts of war, or other malicious acts. Cybersecurity threats could result in a full or partial disruption of our ability to purchase or distribute natural gas or cause environmental repercussions. If our assets or systems were to fail, be physically damaged, or be breached, and were not recovered in a timely manner, we may be unable to perform critical business functions, and data, including sensitive information, could be compromised. Cybersecurity attacks, including attacks targeting utility systems and other critical infrastructure, may increase during periods of heightened or escalating geopolitical tensions.

We operate in an industry that requires the use of sophisticated information technology systems and network infrastructure, which in turn control an interconnected network of distribution and transmission systems shared with third parties. A successful physical or cybersecurity intrusion may occur despite our security measures or those we require of our vendors. Successful cybersecurity intrusions, including those targeting the electronic control systems used at our natural gas transmission, distribution, and storage systems, could disrupt our operations and result in loss of service to customers. Attacks may come through ransomware, software

updates or patches, or firmware that hackers can manipulate. These intrusions could result in additional maintenance expenses. The risk of such intrusions may also increase our capital and operating costs as a result of having to implement increased security measures for protection of our information technology and infrastructure.

Our continued efforts to integrate, consolidate, and streamline our operations with those of WEC Energy Group's other subsidiaries have also resulted in increased reliance on current and recently completed projects for technology systems. The failure to enhance existing information technology systems and adopt or successfully implement new technology could adversely affect our operations. Cybersecurity threats, including those leveraging AI, continue to increase, and the security measures and preventative actions we take to reduce the risk of cybersecurity incidents and protect our systems against unauthorized access to secured data and systems may be insufficient to safeguard against all security breaches. The failure of any of these important technologies, or our inability to support, update, expand, and/or integrate these technologies with those of our affiliates, could materially and adversely impact our operations, diminish customer confidence and our reputation, materially increase the costs we incur to protect against these risks, and subject us to possible financial liability or increased regulation or litigation.

Our business requires the collection and retention of personally identifiable information of our customers and employees, who expect that we will adequately protect such information. In some cases, we rely on third-party hosted services to support our business operations. Malicious actors may target these providers to disrupt the services they provide to us, or to use those third parties to attack us. Security breaches of our or our third-party service providers' systems may expose us to a risk of loss or misuse of confidential and proprietary information. A significant theft, loss, or fraudulent use of personally identifiable information may lead to potentially large costs to notify and protect the impacted persons, and/or could cause us to become subject to significant litigation, costs, liability, fines, or penalties, any of which could materially and adversely impact our results of operations as well as our reputation with customers and regulators, among others. In addition, we may be required to incur significant costs associated with governmental actions in response to such intrusions or to strengthen our information and electronic control systems. We may also need to obtain additional insurance coverage related to the threat of such intrusions.

Threats to our systems and operations continue to emerge as new ways to compromise components into our systems or networks are developed. Any operational disruption or environmental repercussions caused by on-going or future threats to our assets and technology systems could result in a significant decrease in our revenues or significant reconstruction or remediation costs, which could materially and adversely affect our results of operations, financial condition, and cash flows. The costs of repairing damage to our facilities, operational disruptions, protecting personally identifiable information, and notifying impacted persons, as well as related legal claims, may also not be recoverable in rates, may exceed the insurance limits on our insurance policies, or, in some cases, may not be covered by insurance.

Adoption of AI technologies could adversely affect our business, reputation, or financial results.

We are using AI primarily through services provided by our third party vendors. In addition, we are exploring the use of AI, including generative AI, and its ability to enhance the services we offer. There are significant risks involved in developing and deploying AI, and there can be no assurance that the use of AI will enhance our services or be beneficial to our business, including with respect to the efficiency and resiliency of our systems. Our AI-related efforts may give rise to risks related to accuracy, bias, discrimination, intellectual property infringement or misappropriation, data privacy, and cybersecurity, among others. In addition, the adoption of AI may subject us to new or enhanced governmental or regulatory scrutiny, laws, rules, directives, or regulations governing the use of AI, as well as litigation, ethical concerns, negative customer perceptions as to automation and AI, legal liability or other complications that could adversely affect our business, reputation, or financial results. We may not be able to recover our investments in AI technology through our regulatory proceedings. Similarly, as AI continues to evolve, we may not be able to adopt and implement AI as quickly as our customers or communities desire or regulators may require. AI is a relatively new and rapidly evolving technology, and we are unable to predict all of the risks that may result from our and our vendors' adoption of AI initiatives.

Advances in technology, and legislation or regulations supporting such technology, may impact the demand for natural gas.

We cannot predict the effect that development of alternative energy sources or new technology may have on our natural gas operations, including whether subsidies of alternative energy sources by local, state, and federal governments might be expanded, or what impact this might have on the supply of or the demand for natural gas.

If these technologies become cost competitive and achieve economies of scale, our market share could be eroded, and the value of our natural gas distribution system could be reduced. Advances in technology, or changes in legislation or regulations, could also change the channels through which our customers purchase or use natural gas, which could reduce our sales and revenues or increase our expenses.

We may fail to attract and retain an appropriately qualified workforce.

We operate in an industry that requires many of our employees to possess unique technical skill sets. Events such as an aging workforce without appropriate replacements, the mismatch of skill sets to future needs, or the unavailability of contract resources may lead to operating challenges or increased costs. These operating challenges include lack of resources, loss of knowledge, and a lengthy time period associated with skill development. Failure to hire and obtain replacement employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, may adversely affect our ability to manage and operate our business. If we are unable to successfully attract and retain an appropriately qualified workforce, our results of operations could be adversely affected.

Our counterparties may fail to meet their obligations, including obligations under natural gas supply, natural gas pipeline capacity, and transportation agreements.

We are exposed to the risk that counterparties to various arrangements who owe us money, natural gas, or other commodities or services will not be able to perform their obligations. Should the counterparties to these arrangements fail to perform or if capacity is inadequate, we may be required to replace the underlying commitment at current market prices or we may be unable to meet all of our customers' natural gas requirements unless or until alternative supply arrangements are put in place. In such event, we may incur losses, and our results of operations, financial position, or liquidity could be adversely affected.

We have entered into several natural gas supply, natural gas pipeline capacity, and transportation agreements with non-affiliated companies. Revenues are dependent on the continued performance by the counterparties of their obligations under these agreements. Although we have a comprehensive credit evaluation process and contractual protections, it is possible that one or more counterparties could fail to perform their obligations. If this were to occur, we generally would expect that any operating and other costs that were initially allocated to a defaulting customer's natural gas supply, natural gas pipeline capacity, or transportation agreement would be reallocated among our retail customers. To the extent these costs are not allowed to be reallocated by our regulators or there is any regulatory delay in adjusting rates, a counterparty default under these agreements could have a negative impact on our results of operations and cash flows.

Risks Related to Economic and Market Volatility

Our business is dependent on our ability to successfully access credit and capital markets on competitive terms and rates.

We rely on access to credit and capital markets to support our capital requirements, including expenditures for our utility infrastructure and to comply with future regulatory requirements, to the extent not satisfied by the cash flow generated by our operations. We have historically secured funds from a variety of sources, including the issuance of short-term and long-term debt securities. In addition, we rely on a committed bank credit agreement as back-up liquidity, which allows us to access the low cost commercial paper markets. The availability of credit depends upon the ability of banks providing commitments under the facility to provide funds when their obligations to do so arise. Systemic risk of the banking system and the financial markets could prevent a bank from meeting its obligations under the credit agreement.

Successful implementation of our long-term business strategies, including capital investment, is dependent upon our ability to access the capital markets, including the banking and commercial paper markets, on competitive terms and rates. An increase in interest rates may adversely affect our results of operations and our ability to earn our approved rate of return. High interest rates may also impair our ability to cost-effectively finance capital expenditures and to refinance maturing debt.

Our access to the credit and capital markets could be limited, or our cost of capital significantly increased, due to any of the following risks and uncertainties:

- A rating downgrade;
- Failure to comply with debt covenants;
- An economic downturn or uncertainty;
- Prevailing market conditions and rules;
- Political tensions, including civil unrest and election volatility;
- Concerns over foreign economic conditions;
- Changes in tax policy;
- Changes in investment criteria of institutional investors or banks;

- War or the threat of war; and
- The overall health and view of the utility and financial institution industries.

If any of these risks or uncertainties limit our access to the credit and capital markets or significantly increase our cost of capital, it could limit our ability to implement, or increase the costs of implementing, our business plan, which, in turn, could materially and adversely affect our results of operations, cash flows, and financial condition.

A downgrade in our credit ratings could negatively affect our ability to access capital at reasonable costs and/or require the posting of collateral.

There are a number of factors that impact our credit ratings, including, but not limited to, capital structure, regulatory environment, the ability to cover liquidity requirements, and other requirements for capital. We could experience a downgrade in ratings if the rating agencies determine that our level of business or financial risk, or that of the utility industry, has deteriorated. Changes in rating methodologies by the rating agencies could also have a negative impact on credit ratings. Any downgrade by the rating agencies could increase borrowing costs under our existing credit facility or future financings, decrease funding sources, limit the availability of adequate credit support for our operations, and trigger collateral requirements in various contracts.

The fluctuation in demand for certain commodities and their respective prices could negatively impact our operations.

Our operating and liquidity requirements are impacted by changes in the forward and current market prices of natural gas. The cost of natural gas may increase because of disruptions in the supply of natural gas due to a curtailment in production or distribution, international market conditions, the demand for natural gas, and the availability of shale gas and potential regulations and/or other government action affecting its accessibility. We receive dollar-for-dollar recovery of prudently incurred natural gas costs from our natural gas customers.

Changes in the demand for commodities and their respective prices could result in:

- Higher working capital requirements, particularly related to natural gas inventory, accounts receivable, and cash collateral postings;
- Reduced profitability to the extent that lower revenues, higher fuel costs, increased bad debt, and higher interest expense are not recovered through rates;
- Higher rates charged to our customers, which could impact our competitive position; and
- Reduced demand for natural gas, which could impact revenues and operating expenses.

Our use of derivative contracts could result in financial losses.

We use derivative instruments such as swaps, options, futures, and forwards to manage commodity price exposure. We could recognize financial losses as a result of volatility in the market value of these contracts or if a counterparty fails to perform. These risks are managed through risk management policies, which might not work as planned and cannot entirely eliminate the risks associated with these activities. In addition, although our hedging program must be approved by the ICC, derivative contracts entered into for hedging purposes might not offset the underlying exposure being hedged as expected, resulting in financial losses. In the absence of actively quoted market prices and pricing information from external sources, the value of these financial instruments can involve management's judgment or use of estimates. Changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

Volatility in the securities markets, interest rates, changes in assumptions, market conditions, and other factors may impact the performance of our benefit plan holdings.

We have significant obligations related to pension and OPEB plans. If WEC Energy Group is unable to successfully manage our benefit plan assets and medical costs, our cash flows, financial condition, or results of operations could be adversely impacted. Our cost of providing these plans is dependent upon a number of factors, including actual plan experience, changes made to the plans, and assumptions concerning the future. Types of assumptions include earnings on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation, estimated withdrawals by retirees, and our required or voluntary contributions to the plans. Plan assets are subject to market fluctuations and may yield returns that fall below projected return rates. In addition, medical costs for both active and retired employees may increase at a rate that is significantly higher than we currently anticipate. Our funding requirements could be impacted by a decline in the market

value of plan assets, changes in interest rates, changes in demographics (including the number of retirements), or changes in life expectancy assumptions.

General Risks

We may be unable to obtain insurance on acceptable terms or at all, and the insurance coverage we do obtain may not provide protection against all significant losses.

Our ability to obtain insurance, as well as the cost and coverage of such insurance, could be affected by developments affecting our business; international, national, state, or local events; and the financial condition of insurers and our contractors that are required to acquire and maintain insurance for our benefit. Insurance coverage may not continue to be available at all or at rates or terms similar to those presently available to us. In addition, our insurance may not be sufficient or effective under all circumstances and against all hazards or liabilities to which we may be subject. Any losses for which we are not fully insured or that are not covered by insurance at all could materially adversely affect our results of operations, cash flows, and financial position.

PROPERTIES

Most of our principal properties, other than mains, services, meters, regulators, and cushion gas in underground storage are located on property owned in fee. Substantially all natural gas mains are located under public streets, alleys, and highways, or under property owned by others under grants of easements. Meters and house regulators in use and a portion of services are located on the premises being served. Certain portions of the transmission system are located on land held pursuant to easements or permits.

Natural Gas Facilities

At December 31, 2025, our natural gas properties were located in Illinois and consisted of the following:

- Approximately 4,700 miles of natural gas distribution mains,
- Approximately 330 miles of natural gas transmission mains,
- Approximately 545,200 natural gas lateral services,
- 22 natural gas distribution and transmission gate stations,
- 36.5 Bcf of working gas capacities in an underground natural gas storage field located in central Illinois, and
- A 2.0 Bcf liquefied natural gas plant located in central Illinois.

We own and operate a reservoir in central Illinois (Manlove Field), and a natural gas pipeline system that connects Manlove Field to Chicago with nine major interstate pipelines. The underground storage reservoir also serves NSG, a public utility affiliate, under a contractual arrangement. We use our natural gas storage and pipeline assets as a natural gas hub in the Chicago area. Our natural gas distribution and storage systems includes distribution mains and transmission mains connected to the pipeline transmission systems of Alliance Pipeline, ANR Pipeline Company, Guardian Pipeline L.L.C., Kinder Morgan Illinois Pipeline, Midwestern Gas Pipeline Company, Natural Gas Pipeline Company of America, Northern Border Pipeline Company, Trunkline Gas Pipeline, and Vector Pipeline Company.

We also own office buildings, natural gas regulating and metering stations, and major service centers, including garage and warehouse facilities, in certain communities we serve. Where distribution lines and services and natural gas distribution mains and services occupy private property, we have in some, but not all instances, obtained consents, permits, or easements for these installations from the apparent owners or those in possession of those properties, generally without an examination of ownership records or title.

General

Substantially all of our properties are subject to the lien of our mortgage indenture for the benefit of bondholders.

CORPORATE DEVELOPMENTS

Introduction

We are a natural gas utility and an indirect wholly owned subsidiary of WEC Energy Group. We purchase, store, distribute, sell, and transport natural gas to customers in Chicago, Illinois. We use our natural gas storage and pipeline supply assets as a natural gas hub. This activity consists of providing wholesale transportation and natural gas storage services in interstate commerce.

Corporate Strategy

We are working to build and sustain long-term value for our customers and WEC Energy Group's shareholders by supporting economic growth in our region while focusing on the fundamentals of our business: reliability, operating efficiency, financial discipline, environmental stewardship, exceptional customer care, and safety.

WEC Energy Group continues to focus on methane emission reductions by improving and upgrading its natural gas distribution systems, including ours, and using RNG throughout its natural gas utility systems. The RNG supplied is replacing higher-emission methane from natural gas that would have entered the pipes.

Reliability

We have made significant reliability-related investments in recent years, and in accordance with the WEC Energy Group capital plan, expect to continue strengthening and modernizing our natural gas distribution network to further improve reliability. We had been working to replace old iron pipes and facilities in Chicago’s natural gas delivery system with modern polyethylene pipes to reinforce the long-term safety and reliability of the system. In November 2023, the ICC ordered us to pause spending on these projects until the ICC completed a proceeding to determine the optimal method for replacing aging natural gas infrastructure and a prudent investment level. In a limited-scope rehearing of this order, we were authorized spending for completion of projects that had started in 2023. In February 2025, the ICC issued an order setting expectations for our prospective retirement of our aging natural gas infrastructure. The ICC directed us to focus on retiring all cast and ductile iron pipe that has a diameter of less than 36 inches by January 1, 2035. We are working to retire this cast and ductile iron pipe through our PRP. For more information, see Note 19, Regulatory Environment, and Factors Affecting Results, Liquidity, and Capital Resources – Regulatory, Legislative, and Legal Matters – Illinois Proceedings.

Operating Efficiency

We continually look for ways to optimize the operating efficiency of our company.

Through WEC Energy Group's multiyear Energy Delivery Program, it is planning to implement capabilities and standard processes for customer service, natural gas operations, work management, and field operations. This includes improvements to outage management, geographic information systems, and work and asset management systems, as well as the implementation of new capabilities through advanced distribution management systems.

WEC Energy Group continues to focus on integrating the resources of all its businesses and improving its business processes to find the best and most efficient processes possible, including evaluating the use of AI tools. WEC Energy Group expects these efforts to continue to drive operational efficiency and to put it in a position to effectively support plans for future growth.

Financial Discipline

A strong adherence to financial discipline is essential to meeting our earnings projections and maintaining a strong balance sheet, stable cash flows, and quality credit ratings. We work to earn our allowed rate of return through a focus on cost control and strategic investment.

We follow an asset management strategy that focuses on investing in and acquiring assets consistent with our strategic plans, as well as disposing of assets, including property, plants, and equipment, that are no longer strategic to operations, are not performing as intended, or have an unacceptable risk profile.

Exceptional Customer Care

Our approach is driven by an intense focus on delivering exceptional customer care every day. We strive to provide the best value for our customers by demonstrating personal responsibility for results, leveraging our capabilities and expertise, and using creative solutions to meet or exceed our customers' expectations.

A multiyear effort is driving a standardized, seamless approach to digital customer service across all of the WEC Energy Group companies. It has moved all utilities, including us, to a common platform for all customer-facing self-service options. Using common systems and processes reduces costs, provides greater flexibility and enhances the consistent delivery of exceptional service to customers.

Safety

Safety is one of our core values and a critical component of our culture. We are committed to keeping our employees and the public safe through a comprehensive corporate safety program that focuses on employee engagement and elimination of at-risk behaviors. To further protect public safety, we monitor the integrity of our distribution system, have emergency response and business continuity plans in place, and provide key safety information to customers, contractors, and first responders.

Under our "Target Zero" mission, we have an ultimate goal of zero incidents, accidents, and injuries. Management and union leadership work together to reinforce the Target Zero culture. We set annual goals for safety results as well as measurable leading indicators, in order to raise awareness of at-risk behaviors and situations and guide injury-prevention activities. All employees are encouraged to report unsafe conditions or incidents that could have led to an injury. Injuries and tasks with high levels of risk are assessed, and findings and best practices are shared across the WEC Energy Group companies.

Our corporate safety program provides a forum for addressing employee concerns, training employees and contractors on current safety standards, and recognizing those who demonstrate a safety focus.

RESULTS OF OPERATIONS

The following discussion and analysis of our Results of Operations includes comparisons of our results for the year ended December 31, 2025 with the year ended December 31, 2024. For a similar discussion that compares our results for the year ended December 31, 2024 with the year ended December 31, 2023, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations in our 2024 Annual Report.

Consolidated Earnings

Our consolidated earnings for the year ended December 31, 2025 were $96.4 million, compared with $224.8 million for the year ended December 31, 2024. See below for additional information on the $128.4 million decrease in our consolidated earnings.

Non-GAAP Financial Measure

The discussion below addresses the contribution of our natural gas utility segment to net income. The discussion includes financial information prepared in accordance with GAAP, as well as utility margin, which is not a measure of financial performance under GAAP. Utility margin (operating revenues less cost of natural gas) is a non-GAAP financial measure because it excludes certain operation and maintenance expenses applicable to revenues, as well as depreciation and amortization and property and revenue taxes.

We believe that utility margin provides a useful basis for evaluating utility operations since the majority of prudently incurred natural gas costs are passed through to customers in current rates. As a result, management uses utility margin internally when assessing the operating performance of our natural gas utility segment as this measure excludes the majority of revenue fluctuations caused by changes in these expenses. Similarly, the presentation of utility margin herein is intended to provide supplemental information for investors regarding our operating performance.

Our utility margin may not be comparable to similar measures presented by other companies. Furthermore, this measure is not intended to replace gross margin as determined in accordance with GAAP as an indicator of operating performance. Our natural gas utility segment discussion below includes a table that provides the calculation of both gross margin as determined in accordance with GAAP and utility margin, as well as a reconciliation between the two measures.

Natural Gas Utility Segment Contribution to Net Income

Since the majority of our customers use natural gas for heating, net income is sensitive to weather and is generally higher during the winter months.

	Year Ended December 31		
(in millions)	**2025**	**2024**	**B (W)**
Operating revenues	**$ 1,458.4**	$ 1,405.5	$ 52.9
Operating expenses			
Cost of natural gas	**403.5**	296.3	(107.2)
Other operation and maintenance	**429.6**	413.3	(16.3)
Impairments	**130.0**	12.1	(117.9)
Depreciation and amortization	**237.8**	234.2	(3.6)
Property and revenue taxes	**51.5**	57.5	6.0
Operating income	**206.0**	392.1	(186.1)
Other income, net	**8.0**	7.2	0.8
Interest expense	**81.5**	87.3	5.8
Income before income taxes	**132.5**	312.0	(179.5)
Income tax expense	**36.1**	87.2	51.1
Net income	**$ 96.4**	$ 224.8	$ (128.4)

The following table shows a breakdown of other operation and maintenance:

	Year Ended December 31		
(in millions)	**2025**	**2024**	**B (W)**
Operation and maintenance not included in the line items below	**$ 280.5**	$ 278.1	$ (2.4)
Riders [(1)]	**144.9**	132.4	(12.5)
Regulatory amortizations [(1)]	**2.2**	1.8	(0.4)
Other	**2.0**	1.0	(1.0)
Total other operation and maintenance	**$ 429.6**	$ 413.3	$ (16.3)

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

The following tables provide information on delivered sales volumes by customer class and weather statistics:

	Year Ended December 31		
Natural Gas Sales Volumes *(Therms – in millions)*	**2025**	**2024**	**B (W)**
Customer Class			
Residential	**674.0**	587.1	86.9
Commercial and industrial	**276.6**	251.2	25.4
Total retail	**950.6**	838.3	112.3
Transportation	**646.2**	593.1	53.1
Total sales in therms	**1,596.8**	1,431.4	165.4

Weather *(Degree Days)* [1]	Year Ended December 31 2025	2024	B (W)
Heating (5,895 Normal)	**5,869**	4,848	21.1 %

[1] Normal heating degree days are based on a 12-year moving average of monthly temperature readings from National Oceanic and Atmospheric Administration weather stations throughout our service territory.

Gross Margin GAAP and Utility Margin Non-GAAP

The following table summarizes the natural gas utility segment gross margin (GAAP) and reconciles gross margin (GAAP) to utility margin (non-GAAP). See Non-GAAP Financial Measures above for additional information regarding gross margin (GAAP) and utility margin (non-GAAP).

(in millions)	Year Ended December 31 2025	2024	B (W)
Operating revenues	**$ 1,458.4**	$ 1,405.5	$ 52.9
Operating expenses			
Cost of natural gas sold	**(403.5)**	(296.3)	(107.2)
Other operation and maintenance [1]	**(208.2)**	(202.8)	(5.4)
Depreciation and amortization	**(237.8)**	(234.2)	(3.6)
Property and revenue taxes	**(51.5)**	(57.5)	6.0
Gross margin (GAAP)	**557.4**	614.7	(57.3)
Other operation and maintenance [1]	**208.2**	202.8	5.4
Depreciation and amortization	**237.8**	234.2	3.6
Property and revenue taxes	**51.5**	57.5	(6.0)
Utility margin (non-GAAP)	**$ 1,054.9**	$ 1,109.2	$ (54.3)

[1] Operating and maintenance expenses deemed to be directly attributable to our revenue-producing activities include distribution and customer service expenses. These expenses are included in the above table to calculate gross margin as defined under GAAP.

Gross margin (GAAP) at the natural gas utility segment decreased $57.3 million during 2025, compared with 2024, and utility margin (non-GAAP) decreased $54.3 million during 2025, compared with 2024. Both measures were driven by:

- A $74.0 million decrease in revenues due to us agreeing on the terms of a proposed settlement with the Illinois Attorney General that would resolve all open proceedings related to the QIP and UEA riders. See Note 19, Regulatory Environment, for more information.

- A $6.0 million decrease in the invested capital tax adjustment rider, which was offset in property and revenue taxes. The invested capital tax adjustment rider is a mechanism that allows us to recover or refund the difference between the cost of invested capital tax incurred and the amount collected through base rates.

These decreases in gross margin (GAAP) and utility margin (non-GAAP) were partially offset by:

- A $12.9 million increase in revenues driven by an ICC order received in August 2024 related to our 2016 Rider QIP reconciliation prudency review, which required refunds to ratepayers for amounts previously collected related to the disallowance of certain capital costs. See Note 19, Regulatory Environment, for more information.

- A $12.5 million increase in revenues associated with certain riders that are offset in other operation and maintenance and therefore do not have a significant impact on net income.

Additionally, the larger decrease in gross margin (GAAP) as compared with the decrease in utility margin (non-GAAP), was driven by the following items that are further described in Other Operating Expenses below:

- A $3.6 million increase in depreciation and amortization expense;

- A $3.7 million increase in costs associated with maintenance at the Manlove Gas Storage Field; and
- A partially offsetting $6.0 million decrease in property and revenue taxes.

Other Operating Expenses (includes other operation and maintenance, impairments, depreciation and amortization, and property and revenue taxes)

Other operating expenses at the natural gas utility segment increased $119.3 million, net of the $12.5 million impact of the riders referenced in the table above, during 2025, compared with 2024. The significant factors impacting the increase in other operating expenses were:

- A $130.0 million impairment related to us agreeing on the terms of a proposed settlement with the Illinois Attorney General that would resolve all open proceedings related to the QIP and UEA riders. See Note 19, Regulatory Environment, for more information.
- A $7.1 million increase in expense primarily associated with the favorable settlement of a legal claim during 2024.
- A $3.6 million increase in depreciation and amortization expense, driven by assets being placed into service as we continue to execute on our capital plan.
- A $3.7 million increase in costs associated with maintenance at the Manlove Gas Storage Field.

These increases in operating expenses were partially offset by:

- A $12.1 million impairment recorded in 2024 related to an ICC order received in August 2024 related to the 2016 annual prudency review of our QIP rider, which included a disallowance of certain capital costs. See Note 19, Regulatory Environment, for more information.
- A $6.0 million decrease in property and revenue taxes, driven by the invested capital tax.
- A $3.1 million pre-tax gain on the renegotiation of a lease contract during 2025.

Interest Expense

Interest expense decreased $5.8 million during 2025, compared with 2024, driven by lower average short-term debt balances, lower short-term debt interest rates, and a series of our first mortgage bonds maturing in November 2024.

Income Tax Expense

Income tax expense decreased $51.1 million during 2025, compared with 2024, driven by a decrease in pre-tax income.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We expect to maintain adequate liquidity to meet our cash requirements for the operation of our business and implementation of our corporate strategy through the internal generation of cash from operations and access to the capital markets.

The following discussion and analysis of our Liquidity and Capital Resources includes comparisons of our cash flows for the year ended December 31, 2025 with the year ended December 31, 2024. For a similar discussion that compares our cash flows for the year ended December 31, 2024 with the year ended December 31, 2023, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources in our 2024 Annual Report.

Cash Flows

The following table summarizes our cash flows during the years ended December 31:

(in millions)	2025	2024	Change in 2025 Over 2024
Cash provided by (used in):			
Operating activities	**$ 837.0**	$ 397.3	$ 439.7
Investing activities	**(269.8)**	(310.2)	40.4
Financing activities	**(568.2)**	(86.1)	(482.1)

Operating Activities

Net cash provided by operating activities increased $439.7 million during 2025, compared with 2024, driven by:

- A $249.9 million increase in cash related to income taxes resulting from $175.7 million of cash received during 2025, compared with $74.2 million of cash paid during 2024, driven by our adoption of the safe harbor method of accounting related to natural gas transmission and distribution property. See Note 1(m), Income Taxes, and Note 12, Income Taxes, for more information.

- A $141.7 million increase in cash from higher overall collections from customers during 2025, compared with 2024. This increase was driven by higher sales volumes from colder winter weather during 2025, compared with 2024.

- A $36.6 million increase in cash related to lower payments for other operation and maintenance expenses, driven by the timing of payments for accounts payable during 2025, compared with 2024.

- A $17.8 million increase in cash from lower payments for environmental remediation related to work completed on former manufactured gas plant sites during 2025, compared with 2024.

Investing Activities

Net cash used in investing activities decreased $40.4 million during 2025, compared with 2024, driven by:

- A $35.4 million decrease in cash paid for capital expenditures during 2025, compared with 2024, which is discussed in more detail below.

- A $6.6 million net increase in cash due to $2.2 million of repayments received from NSG during 2025, compared with $4.4 million of borrowings provided to NSG during 2024, related to a note receivable. See Note 2, Related Parties, for more information.

Capital Expenditures

Capital expenditures for the years ended December 31 were as follows:

(in millions)	2025	2024	Change in 2025 Over 2024
Capital expenditures	**$ 271.2**	$ 306.6	$ (35.4)

The decrease in cash paid for capital expenditures during 2025, compared with 2024, was driven by lower payments related to upgrades of our natural gas distribution system. For more information on the factors contributing to this decrease, see Factors Affecting Results, Liquidity, and Capital Resources – Regulatory, Legislative, and Legal Matters – Illinois Proceedings. This decrease in capital expenditures was partially offset by increased capital expenditures at Manlove Gas Storage Field.

See Liquidity and Capital Resources – Cash Requirements – Significant Capital Projects for more information.

Financing Activities

Net cash used in financing activities increased $482.1 million during 2025, compared with 2024, driven by:

- A $380.0 million decrease in cash related to higher dividends paid to our parent, PELLC, during 2025, compared with 2024, to balance our capital structure.

- A $180.0 million decrease in cash related to lower equity contributions received from our parent, PELLC, during 2025, compared with 2024, to balance our capital structure.

These decreases in cash were partially offset by:

- A $75.0 million increase in cash due to the retirement of long-term debt during 2024. We did not retire any long-term debt during 2025.

- A $4.5 million increase in cash due to lower net repayments of commercial paper during 2025, compared with 2024.

Significant Financing Activities

For more information on our financing activities, see Note 8, Common Equity, Note 10, Short-Term Debt and Lines of Credit, and Note 11, Long-Term Debt.

Cash Requirements

We require funds to support and grow our business. Our significant cash requirements primarily consist of capital and investment expenditures, payments to retire and pay interest on long-term debt, the payment of common stock dividends to our parent, and the funding of our ongoing operations. Our significant cash requirements are discussed in further detail below.

Significant Capital Projects

We have several capital projects that will require significant capital expenditures over the next three years and beyond. All projected capital requirements are subject to periodic review and may vary significantly from estimates, depending on a number of factors. These factors include environmental and regulatory requirements, changes in tax laws and regulations, acquisition and development opportunities, market volatility, economic trends, supply chain disruptions, inflation, and interest rates. Our estimated capital expenditures for the next three years are reflected below. These amounts include anticipated expenditures for environmental compliance and certain remediation issues. For a discussion of certain environmental matters affecting us, see Note 17, Commitments and Contingencies.

(in millions)		
2026	$	512.7
2027		680.7
2028		700.0
Total	$	1,893.4

The majority of spending consists of upgrading our natural gas distribution system.

In accordance with the November 2023 rate order, the ICC initiated a proceeding in January 2024 to determine the optimal method and prudent investment level for replacing aging natural gas infrastructure. In February 2025, the ICC issued an order setting expectations for our prospective retirement of our aging natural gas infrastructure. The ICC directed us to focus on retiring all cast and ductile iron pipe that has a diameter of less than 36 inches by January 1, 2035. We are working on retiring this cast and ductile iron pipe through our PRP. Annual investment for pipe replacement is expected to ramp up to approximately $500 million in 2028. For information on regulatory proceedings related to the PRP, see Note 19, Regulatory Environment, and Factors Affecting Results, Liquidity, and Capital Resources – Regulatory, Legislative, and Legal Matters – Illinois Proceedings.

Long-Term Debt

A significant amount of cash is required to retire and pay interest on our long-term debt obligations. See Note 11, Long-Term Debt, for more information on our outstanding long-term debt, including a schedule of our long-term debt maturities over the next five years. The following table summarizes our required interest payments on long-term debt as of December 31, 2025:

	Interest Payments Due by Period				
(in millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Interest payments on long-term debt	$ 753.3	$ 71.0	$ 134.8	$ 88.3	$ 459.2

Common Stock Matters

During the years ended December 31, 2025, 2024, and 2023, we paid common stock dividends of $530.0 million, $150.0 million, and $335.0 million, respectively, to the sole holder of our common stock, PELLC. Any payment of future dividends is subject to approval by our Board of Directors and is dependent upon future earnings, capital requirements, and financial and other business conditions. In addition, various financing arrangements and regulatory requirements impose certain restrictions on our ability to transfer funds to PELLC in the form of cash dividends, loans, or advances. We do not believe that these restrictions will materially affect our operations or limit any dividend payments in the foreseeable future. See Note 8, Common Equity, for more information related to these restrictions and our other common stock matters.

Other Significant Cash Requirements

Our utility operations have purchase obligations under various contracts for the procurement of gas supply, as well as the related transportation. These costs are a significant component of funding our ongoing operations. See Note 17, Commitments and Contingencies, for more information, including our minimum future commitments related to these purchase obligations.

In addition to our energy-related purchase obligations, we have commitments for other costs incurred in the normal course of business, including costs related to information technology services, meter reading services, maintenance and other service agreements for certain generating facilities, and various engineering agreements. Our estimated future cash requirements related to these purchase obligations, excluding energy-related obligations, are reflected below.

	Payments Due by Period				
(in millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Purchase orders	$ 73.8	$ 33.9	$ 30.7	$ 4.2	$ 5.0

We make contributions to our pension and OPEB plans based upon various factors affecting us, including our liquidity position and tax law changes. See Note 15, Employee Benefits, for our expected contributions in 2026 and our expected pension and OPEB payments for the next 10 years. We expect the majority of our pension and OPEB payments during this time period to be paid from our outside trusts. See Sources of Cash–Investments in Outside Trusts below for more information.

In addition to the above, our balance sheet at December 31, 2025 included various other liabilities that, due to the nature of the liabilities, the amount and timing of future payments cannot be determined with certainty. These liabilities include AROs and liabilities for the remediation of manufactured gas plant sites. For additional information on these liabilities, see Note 7, Asset Retirement Obligations, and Note 17, Commitments and Contingencies, respectively.

Off-Balance Sheet Arrangements

We are a party to various financial instruments with off-balance sheet risk as a part of our normal course of business, including financial guarantees and letters of credit that support construction projects, commodity contracts, and other payment obligations. We believe that these agreements do not have, and are not reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources. See Note 10, Short-Term Debt and Lines of Credit, for more information.

Sources of Cash

Liquidity

We anticipate meeting our short-term and long-term cash requirements to operate our business and implement our corporate strategy through internal generation of cash from operations, equity contributions from our parent, and access to the capital markets, which allows us to obtain external short-term borrowings, including commercial paper, and issue intermediate or long-term debt securities. Cash generated from operations is primarily driven by sales of natural gas to our utility customers, reduced by costs of operations. Our access to the capital markets is critical to our overall strategic plan and allows us to supplement cash flows from operations with external borrowings to manage seasonal variations, working capital needs, commodity price fluctuations, unplanned expenses, and unanticipated events.

We maintain a bank back-up credit facility, which provides liquidity support for our obligations with respect to commercial paper and for general corporate purposes. We review our bank back-up credit facility needs on an ongoing basis and expect to be able to maintain adequate credit facilities to support our operations.

We also have the ability to borrow up to $150.0 million from Integrys and up to $50.0 million from NSG. At December 31, 2025, we had no borrowings outstanding with Integrys or NSG.

The amount, type, and timing of any financings in 2026, as well as in subsequent years, will be contingent on investment opportunities and our cash requirements and will depend upon prevailing market conditions, ICC approval, and other factors. We plan to maintain a capital structure consistent with that approved by the ICC. For more information on our approved capital structure, see Business – C. Regulation.

Although not the case as of December 31, 2025, our current liabilities sometimes exceed our current assets. We do not expect this to have any impact on our liquidity as we currently believe that our available capacity under our existing revolving credit facility, cash generated from ongoing operations, and access to the capital markets are adequate to meet our short-term and long-term cash requirements.

See Note 10, Short-Term Debt and Lines of Credit, and Note 11, Long-Term Debt, for more information about our commercial paper, credit facility, and debt securities.

Investments in Outside Trusts

We maintain investments in outside trusts to fund the obligation to provide pension and certain OPEB benefits to current and future retirees. As of December 31, 2025, these trusts had investments of approximately $463.3 million, consisting of fixed income and equity securities, that are subject to the volatility of the stock market and interest rates. The performance of existing plan assets, long-term discount rates, changes in assumptions, and other factors could affect our future contributions to the plans, our financial position if our accumulated benefit obligation exceeds the fair value of the plan assets, and future results of operations related to changes in pension and OPEB expense and the assumed rate of return. For additional information, see Note 15, Employee Benefits.

Debt Covenants

At December 31, 2025, we were in compliance with all covenants related to outstanding short-term and long-term debt. We expect to be in compliance with all such debt covenants for the foreseeable future. See Note 10, Short-Term Debt and Lines of Credit, and Note 11, Long-Term Debt, for more information.

Credit Rating Risk

Cash collateral postings and prepayments made with external parties, including postings related to exchange-traded contracts, and cash collateral posted by external parties were immaterial as of December 31, 2025. From time to time, we may enter into commodity contracts that could require collateral or a termination payment in the event of a credit rating change to below BBB- at S&P Global Ratings, a division of S&P Global Inc., and/or Baa3 at Moody's Investors Service, Inc. We also have other commodity contracts that, in the event of a credit rating downgrade, could result in a reduction of our unsecured credit granted by counterparties.

In addition, access to capital markets at a reasonable cost is determined in large part by credit quality. Any credit ratings downgrade could impact our ability to access capital markets.

In March 2025, Moody's changed our rating outlook to stable from negative as a result of the ICC's February 2025 order setting expectations for our retirement of aging natural gas infrastructure. Moody's affirmed our ratings, including our Aa3 senior secured rating and our P-1 short term rating for commercial paper. See Note 19, Regulatory Environment, for more information on the ICC's order.

Subject to other factors affecting the credit markets as a whole, we believe our current ratings should provide a significant degree of flexibility in obtaining funds on competitive terms. However, these security ratings reflect the views of the rating agency only. An explanation of the significance of these ratings may be obtained from the rating agency. Such ratings are not a recommendation to buy, sell, or hold securities. Any rating can be revised upward or downward or withdrawn at any time by a rating agency.

FACTORS AFFECTING RESULTS, LIQUIDITY, AND CAPITAL RESOURCES

Competitive Markets

We offer natural gas transportation service as an option for customers to manage their energy costs. Customers continue to switch between system supply and transportation service each year as the economics and service options change.

Absent extraordinary circumstances, potential competitors are not allowed to construct competing natural gas distribution systems in our service territory. A charter from the State of Illinois gives us the right to provide natural gas distribution service in the City of Chicago as a public utility. Further, the "first in the field" and public interest standards limit the ability of potential competitors to operate in an existing utility service territory. In addition, we believe it would be impractical to construct competing duplicate distribution facilities due to the high cost of installation.

An interstate pipeline may seek to provide transportation service directly to our end users, which would bypass our natural gas transportation service. However, we have anti-bypass tariffs approved by the ICC, which allow us to negotiate rates with customers that are potential bypass candidates to help ensure that such customers continue to use our utility transportation service.

Since 2002, we have, under ICC-approved tariffs, provided our customers with the option to choose a third-party natural gas supplier. There are no state laws requiring us to make this choice option available to customers, but since this option is currently provided to our customers under tariff, ICC approval would be needed to withdraw those tariffs.

We offer natural gas transportation services to our customers that elect to purchase natural gas directly from a third-party supplier. Since these transportation customers continue to use our distribution system to transport natural gas to their facilities, we earn distribution revenues from them. As such, the loss of revenue associated with the cost of natural gas that our transportation customers purchase from third-party suppliers has little impact on our net income, as it is substantially offset by an equal reduction to natural gas costs.

We are currently unable to predict the impact, if any, of potential future industry restructuring on our results of operations or financial position.

Regulatory, Legislative, and Legal Matters

Regulatory Recovery

We account for our regulated operations in accordance with accounting guidance under the Regulated Operations Topic of the FASB ASC. Our rates are determined by the ICC. See Business – C. Regulation for more information.

Regulated entities are allowed to defer certain costs that would otherwise be charged to expense if the regulated entity believes the recovery of those costs is probable. We record regulatory assets pursuant to generic and/or specific orders issued by the ICC. Recovery of the deferred costs in future rates is subject to the review and approval of the ICC. We assume the risks and benefits of ultimate recovery of these items in future rates. If the recovery of the deferred costs, including those referenced below, is not approved by the ICC, the costs would be charged to income in the current period. The ICC can impose liabilities on a prospective basis for amounts previously collected from customers and for amounts that are expected to be refunded to customers. We record

these items as regulatory liabilities. See Note 5, Regulatory Assets and Liabilities, for more information on our regulatory assets and liabilities. See Note 19, Regulatory Environment, for more information regarding our recent and pending rate proceedings, orders, and investigations.

Riders

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 $15.4 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. Annual costs included in the rider, which reflect uncollectible write-offs in excess of what is recovered in base rates, have ranged from $10 million to $38 million. However, see Uncollectible Expense Adjustment and Qualifying Infrastructure Plant Riders Settlement below for information on a proposed settlement that would resolve all open proceedings.

Qualifying Infrastructure Plant Rider

In January 2014, the ICC approved our use of the QIP rider as a recovery mechanism for costs incurred related to investments in QIP. This rider, which was in effect until December 1, 2023, continues to be subject to an annual reconciliation whereby costs are reviewed for accuracy and prudency. In August 2024, the ICC issued a final order on our 2016 annual reconciliation, which included a disallowance of $14.8 million of certain capital costs. We recorded a pre-tax charge to income of $25.3 million during the third quarter of 2024 related to the disallowance and the previously recognized return on and of these investments. The charge was recorded on the income statement as a $12.9 million reduction in revenues for the amounts previously collected from customers, a $12.1 million increase to operating expenses for the impairment of our property, plant, and equipment, and a $0.3 million increase to interest expense related to the amounts due to customers. In October 2024, we filed a petition with the Illinois Appellate Court for review of the ICC's August order; however, in January 2026, we filed an unopposed motion to stay the appeal, which was granted by the court.

Our QIP reconciliations from 2017 through 2023 are still pending. Future disallowances by the ICC could be material. The aggregate capital costs included in the rider during the open reconciliation years, along with any previously recognized return on these investments, totaled approximately $3.0 billion as of December 31, 2025. However, see Uncollectible Expense Adjustment and Qualifying Infrastructure Plant Riders Settlement below for information on a proposed settlement that would resolve all open proceedings.

Uncollectible Expense Adjustment and Qualifying Infrastructure Plant Riders Settlement

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 and QIP riders. We agreed to refund $49.0 million to customers as bill credits over a period of three years between 2026 and 2028 to resolve our open UEA proceedings. In order to resolve our open QIP proceedings, we agreed to permanently remove $130.0 million of qualified infrastructure investment costs from rate base starting in 2027 and to refund $75.0 million to customers as bill credits over a period of three years between 2026 and 2028. This agreement resulted in a $204.0 million pre-tax charge to income during the fourth quarter of 2025. The charge was recorded as a $130.0 million impairment to our net property, plant, and equipment and a $74.0 million reduction to revenues. The total of the rate base reduction and the obligation to refund amounts to customers through bill credits recorded on our balance sheet at December 31, 2025 is $254.0 million. This includes the $204.0 million charge to income recorded during 2025 and a $50.0 million charge to income recorded in prior years. This proposed settlement is subject to ICC approval following a public review process.

Illinois Proceedings

In our rate order issued by the ICC in November 2023, the ICC ordered us to pause spending on our projects to upgrade our natural gas delivery system until the ICC completed a proceeding to determine the optimal method for replacing aging natural gas infrastructure and a prudent investment level. In accordance with the written order, the ICC initiated the proceeding in January 2024. In February 2025, the ICC issued an order setting expectations for our prospective operations. The ICC directed us to focus on retiring all cast and ductile iron pipe that has a diameter under 36 inches by January 1, 2035. The ICC also indicated that failure to comply with this directive could subject us to civil penalties under Illinois statute. We are working to retire this cast and ductile iron pipe through our PRP. Costs incurred under the PRP will be evaluated for prudency by the ICC in future rate cases. In addition, the program will be overseen by a safety monitor hired by the ICC. We initiated a general rate case proceeding in January 2026, which we anticipate will provide further regulatory clarity before we significantly increase our spend associated with the PRP.

In March 2024, the ICC initiated a statewide "Future of Gas" proceeding. The goal of this proceeding is to explore the issues involved with decarbonization of the gas distribution system in Illinois and recommend any future ICC action or legislative changes needed. It includes the formal exploration and consideration of the role of natural gas in the future, including in the context of the state's environmental and energy policy goals. The proceeding includes a broad range of stakeholders, including Illinois utilities and other interested parties. The "Future of Gas" proceeding is expected to be completed by the end of 2026. At this time, we cannot predict the ultimate outcome of this proceeding or the resulting impact to our natural gas operations. Future natural gas investment opportunities could be negatively impacted depending upon the outcome.

See Note 19, Regulatory Environment, for more information regarding the 2026 rate case filing and November 2023 ICC rate order.

Chicago Decarbonization Efforts

The CABO was introduced at a meeting of the Chicago city council held in January 2024. If approved, this ordinance would set an indoor emissions standard that would require zero-to-low-emission energy systems in newly built commercial and residential buildings and major building additions in the city of Chicago. The proposed emission standards would effectively prohibit the use of natural gas in new buildings and homes and require electric heat and appliances. The CABO would not impact existing homes and businesses. In addition, certain buildings and equipment, such as hospitals, commercial kitchens, and back-up generators, would be exempt from the new emission limits.

In response to the CABO, a resolution was also introduced that would require the formation of a working group comprised of various subject matter experts to analyze the costs of converting buildings from natural gas to electricity, the costs for additional electric generation capacity needed for future building conversions, and the impact of shifting natural gas system costs from new construction to existing buildings if electrification measures are adopted. If the resolution is passed, this analysis would need to be completed prior to the adoption of any decarbonization initiatives, such as the CABO.

If approved by the city council, the CABO is expected to become effective one year after the approval date. Our future natural gas operations could be materially adversely impacted if the CABO is passed.

Environmental Matters

See Note 17, Commitments and Contingencies, for a discussion of certain environmental matters affecting us, including rules and regulations relating to air quality, water quality, and land quality.

Market Risks and Other Significant Risks

We are exposed to market and other significant risks as a result of the nature of our business and the environment in which we operate. These include, but are not limited to, the risks described below. In addition, there is continuing uncertainty over the impact of increasing tensions between the U.S. and other countries and new, protracted or escalating regional and international conflicts on the global economy, supply chains, and natural gas prices.

Commodity Costs

In the normal course of providing natural gas utility service, we are subject to market fluctuations in the costs of natural gas. We manage our natural gas supply costs through a portfolio of short and long-term procurement contracts with various suppliers for the purchase of natural gas. In addition, we manage the risk of price volatility through natural gas hedging programs.

Embedded within our utility rates are amounts to recover natural gas costs. We have a GCRM in place that allows us to recover or refund all or a portion of the changes in prudently incurred natural gas costs from rate case-approved amounts. For more information on our GCRM, see Business – C. Regulation.

Higher natural gas costs can increase our working capital requirements, result in higher gross receipts taxes, and lead to increased energy efficiency investments by our customers to reduce utility usage. Higher natural gas costs combined with slower economic conditions also expose us to greater risks of accounts receivable write-offs as more customers are unable to pay their bills. See Note 4, Credit Losses, for more information on our rider that allows for cost recovery or refund of uncollectible expense.

Weather

Our utility rates are based upon estimated normal temperatures. Our natural gas utility margins are unfavorably sensitive to above normal temperatures during the winter heating season. We have a decoupling mechanism in place that helps reduce the impacts of weather. Our decoupling mechanism allows us to recover or refund certain differences between actual and authorized margins. A summary of actual weather information in our service territory, as measured by degree days, may be found in Results of Operations.

Interest Rates

We are exposed to interest rate risk resulting from our short-term borrowings and projected near-term debt financing needs. We manage exposure to interest rate risk by limiting the amount of our variable rate obligations and continually monitoring the effects of market changes on interest rates. When it is advantageous to do so, we enter into long-term fixed rate debt.

Based on the variable rate debt outstanding at December 31, 2025 and 2024, a hypothetical increase in market interest rates of one percentage point would have increased annual interest expense by $1.1 million and $2.2 million in 2025 and 2024, respectively. This sensitivity analysis was performed assuming a constant level of variable rate debt during the period and an immediate increase in interest rates, with no other changes for the remainder of the period.

Marketable Securities Return

We use various trusts to fund our pension and OPEB obligations. These trusts invest in debt and equity securities. Changes in the market prices of these assets can affect future pension and OPEB expenses. Additionally, future contributions can also be affected by the investment returns on trust fund assets. We believe that the financial risks associated with investment returns would be partially mitigated through future rate actions by the ICC.

The fair value of our trust fund assets and expected long-term returns were approximately:

(in millions)	As of December 31, 2025	Expected Return on Assets in 2026
Pension trust funds	**$ 272.0**	6.75 %
OPEB trust funds	**$ 191.3**	6.50 %

Fiduciary oversight of the pension and OPEB trust fund investments is the responsibility of an Investment Trust Policy Committee. The Committee works with external actuaries and investment consultants on an ongoing 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 asset allocations are determined utilizing projected benefit payment cash flows and risk analyses of appropriate investments. The targeted asset allocations 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. Investment strategies utilize a wide diversification of asset types and qualified external investment managers.

WEC Energy Group consults with its investment advisors on an annual basis to help us forecast expected long-term returns on plan assets by reviewing actual historical returns and 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 funds.

Economic Conditions

We have natural gas utility operations that serve customers in Illinois. As such, we are exposed to market risks in the regional Midwest economy. In addition, any economic downturn or disruption of national or international markets could adversely affect the financial condition of our customers and demand for their products, which could affect their demand for our services.

Changes to United States Trade Policy (Tariff Activity)

The U.S. continues to implement changes to its international trade policy including changes to tariffs, port fees and other policies relating to exports from and imports into the United States. In response to these changes, foreign governments also continue to adjust their trade policies, including the imposition of additional tariffs. There remains significant uncertainty as to the ultimate scope of the U.S. and foreign trade policies. Both the U.S. and foreign trade policy changes could increase the cost of materials or disrupt supply chains, which could impact our ability to repair or maintain our infrastructure; the timing, cost or completion of our infrastructure projects; and/or our ability to execute on our projects included in WEC Energy Group's capital plan. In addition, these changes, including any impact they may have to economic conditions, could lead to reduced energy demand by our customers. Consequently, these policy changes could have a material adverse effect on our business, results of operations and financial condition.

Inflation and Supply Chain Disruptions

We continue to monitor the impact of inflation and supply chain disruptions. We monitor the costs of medical plans, natural gas, construction costs, regulatory and environmental compliance costs, and other costs in order to minimize inflationary effects in future years, to the extent possible, through pricing strategies, productivity improvements, and cost reductions. We monitor the global supply chain, and related disruptions, in order to ensure we are able to procure the materials and other resources necessary to both maintain our energy services in a safe and reliable manner and to grow our infrastructure in accordance with WEC Energy Group's capital plan, which includes us. For additional information concerning risks related to inflation and supply chain disruptions, see the four risk factors below.

- Risk Factors – Risks Related to the Operation of Our Business – Public health crises, including epidemics and pandemics, could adversely affect our business functions, financial condition, liquidity, and results of operations.

- Risk Factors – Risks Related to the Operation of Our Business – Our operations and WEC Energy Group's corporate strategy may be adversely affected by supply chain disruptions, inflation, and tariffs.

- Risk Factors – Risks Related to the Operation of Our Business – We are actively involved with multiple significant capital projects, which are subject to a number of risks and uncertainties that could adversely affect project costs and completion of construction projects.

- Risk Factors – Risks Related to Economic and Market Volatility – The fluctuation in demand for certain commodities and their respective prices could negatively impact our operations.

For additional information concerning risk factors, including market risks, see the Cautionary Statement Regarding Forward-Looking Information at the beginning of this report and Risk Factors.

Critical Accounting Policies and Estimates

The preparation of financial statements in compliance with GAAP requires the application of accounting policies, as well as the use of estimates, assumptions, and judgments that could have a material impact on our financial statements and related disclosures. Judgments regarding future events may include the likelihood of success of particular projects, legal and regulatory challenges, and anticipated recovery of costs. Actual results may differ significantly from estimated amounts based on varying assumptions.

Our significant accounting policies are described in Note 1, Summary of Significant Accounting Policies. The following is a list of accounting policies and estimates that require management's most difficult, subjective, or complex judgments and may change in subsequent periods.

Regulatory Accounting

We follow the guidance under the Regulated Operations Topic of the FASB ASC (Topic 980). Our financial statements reflect the effects of the ratemaking principles followed by the ICC. Certain items that would otherwise be immediately recognized as revenues and expenses are deferred as regulatory assets and regulatory liabilities for future recovery or refund to customers, as authorized by the ICC.

Future recovery of regulatory assets, including the timeliness of recovery and our ability to earn a reasonable return, is not assured and is generally subject to review by the ICC in rate proceedings for matters such as prudence and reasonableness. Once approved, the regulatory assets and liabilities are amortized into earnings over the rate recovery or refund period. If recovery or refund of costs is not approved or is no longer considered probable, these regulatory assets or liabilities are recognized in current period earnings. Management regularly assesses whether these regulatory assets and liabilities are probable of future recovery or refund by considering factors such as changes in the regulatory environment, earnings from our natural gas utility operations, rate orders issued by the ICC, historical decisions by the ICC regarding regulatory assets and liabilities, and the status of any pending or potential deregulation legislation.

The application of the Regulated Operations Topic of the FASB ASC would be discontinued if all or a separable portion of our utility operations no longer met the criteria for application. Our regulatory assets and liabilities would be written off to income as an unusual or infrequently occurring item in the period in which discontinuation occurred. See Note 5, Regulatory Assets and Liabilities, for more information on our regulatory assets and liabilities.

Long-Lived Assets

In accordance with ASC 980-360, Regulated Operations – Property, Plant, and Equipment, we periodically assess the recoverability of certain long-lived assets when events or changes in circumstances indicate that the carrying amount of those long-lived assets may not be recoverable. Examples of events or changes in circumstances include, but are not limited to, a significant decrease in the market price, a significant change in use, a regulatory decision related to recovery of assets from customers, adverse legal factors or a change in business climate, operating or cash flow losses, or an expectation that the asset might be sold or abandoned. See Note 1(i), Asset Impairment, for more information related to our policy on accounting for recently completed plant subject to disallowance.

Performing an impairment evaluation involves a significant degree of estimation and judgment by management in areas such as identifying circumstances that indicate an impairment may exist, identifying and grouping affected assets, and developing the undiscounted future cash flows. An impairment loss is measured as the excess of the carrying amount of the asset in comparison to the fair value of the asset. The fair value of the asset is assessed using various methods, including internally developed discounted cash flow analysis, expected recovery of regulated assets, and analysis from outside advisors.

Pension and Other Postretirement Employee Benefits

The costs of providing non-contributory defined pension benefits and OPEB, described in Note 15, Employee Benefits, are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience.

Pension and OPEB costs are impacted by actual employee demographics (including age, compensation levels, and employment periods), the level of contributions made to the plans, and earnings on plan assets. Pension and OPEB costs may also be significantly affected by changes in key actuarial assumptions, including anticipated rates of return on plan assets, mortality and discount rates, and expected health care cost trends. Changes made to the plan provisions may also impact current and future pension and OPEB costs.

Pension and OPEB plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity and fixed income market returns, as well as changes in general interest rates, may result in increased or decreased benefit costs in future periods. We believe that such changes in costs would be recovered or refunded through the ratemaking process.

The following table shows how a given change in certain actuarial assumptions would impact the projected benefit obligation and the reported net periodic pension cost. Each factor below reflects an evaluation of the change based on a change in that assumption only.

Actuarial Assumption *(in millions, except percentages)*	Percentage-Point Change in Assumption	Impact on Projected Benefit Obligation	Impact on 2025 Pension Cost
Discount rate	(0.5)	$ 14.2	$ 1.7
Discount rate	0.5	(12.5)	(3.2)
Rate of return on plan assets	(0.5)	N/A	1.3
Rate of return on plan assets	0.5	N/A	(1.3)

The following table shows how a given change in certain actuarial assumptions would impact the accumulated OPEB obligation and the reported net periodic OPEB cost. Each factor below reflects an evaluation of the change based on a change in that assumption only.

Actuarial Assumption *(in millions, except percentages)*	Percentage-Point Change in Assumption	Impact on Postretirement Benefit Obligation	Impact on 2025 Postretirement Benefit Cost
Discount rate	(0.5)	$ 2.6	$ 0.3
Discount rate	0.5	(2.4)	(0.3)
Health care cost trend rate	(0.5)	(1.6)	(0.4)
Health care cost trend rate	0.5	1.8	0.5
Rate of return on plan assets	(0.5)	N/A	0.9
Rate of return on plan assets	0.5	N/A	(0.9)

The discount rates are selected based on hypothetical bond portfolios consisting of noncallable, high-quality corporate bonds across the full maturity spectrum. From the hypothetical bond portfolios, a single rate is determined that equates the market value of the bonds purchased to the discounted value of the plans' expected future benefit payments.

We establish our expected return on assets based on consideration of historical and projected asset class returns, as well as the target allocations of the benefit trust portfolios. The assumed long-term rate of return on pension plan assets was 6.75% in 2025, 2024, and 2023, respectively. The actual rate of return on pension plan assets, net of fees, was 9.54%, 4.28%, and 10.43% in 2025, 2024, and 2023, respectively.

In selecting assumed health care cost trend rates, past performance and forecasts of health care costs are considered. For more information on health care cost trend rates and a table showing future payments that we expect to make for our pension and OPEB, see Note 15, Employee Benefits.

Unbilled Revenues

We record utility operating revenues when natural gas is delivered to our customers. However, the determination of energy sales to individual customers is based upon the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of their last meter reading are estimated and corresponding unbilled revenues are calculated.

Unbilled revenues are estimated each month based upon actual throughput volumes, recorded sales, estimated customer usage by class, weather factors, and applicable customer rates. Energy demand for the unbilled period or changes in rate mix due to fluctuations in usage patterns of customer classes could impact the accuracy of the unbilled revenue estimate. Total unbilled utility revenues were $180.2 million and $156.5 million as of December 31, 2025 and 2024, respectively. The changes in unbilled revenues are primarily due to changes in the cost of natural gas and weather, partially offset by changes in customer rates.

Income Tax Expense

Significant management judgment is required in determining our provision for income taxes, deferred income tax assets and liabilities, any liability for unrecognized tax benefits, and any valuation allowance recorded against deferred income tax assets. The assumptions involved are supported by historical data, reasonable projections, and interpretations of applicable tax laws and regulations for federal and the state of Illinois. Significant changes in these assumptions could have a material impact on our

financial condition and results of operations. See Note 1(m), Income Taxes, and Note 12, Income Taxes, for a discussion of accounting for income taxes.

We are required to estimate income taxes for federal and the state of Illinois as part of the process of preparing consolidated financial statements. This process involves estimating current income tax liabilities together with assessing temporary differences resulting from differing treatment of items, such as depreciation, for income tax and accounting purposes. These differences result in deferred income tax assets and liabilities, which are included within our balance sheets. We also assess the likelihood that our deferred income tax assets will be recovered through future taxable income. To the extent we believe that realization is not likely, we establish a valuation allowance, which is offset by an adjustment to income tax expense in our income statements.

Uncertainty associated with the application of tax statutes and regulations, the outcomes of tax audits and appeals, changes in income tax law, enacted tax rates or amounts subject to income tax, and changes in the regulatory treatment of any tax reform benefits requires that judgments and estimates be made in the accrual process and in the calculation of effective tax rates. Only income tax benefits that meet the "more likely than not" recognition threshold may be recognized or continue to be recognized. Any unrecognized tax benefits are re-evaluated quarterly and changes are recorded based on new information, including the issuance of relevant guidance by the courts or tax authorities and developments occurring in the examinations of our tax returns.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Results, Liquidity, and Capital Resources – Market Risks and Other Significant Risks, as well as Note 1(n), Fair Value Measurements, and Note 1(o), Derivative Instruments, for information concerning potential market risks to which we are exposed.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

A. INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of The Peoples Gas Light and Coke Company:

Opinion

We have audited the consolidated financial statements of The Peoples Gas Light and Coke Company and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated 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 consolidated 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
March 19, 2026

THE PEOPLES GAS LIGHT AND COKE COMPANY

B. CONSOLIDATED INCOME STATEMENTS

Year Ended December 31 *(in millions)*	2025	2024	2023
Operating revenues	**$ 1,458.4**	$ 1,405.5	$ 1,356.9
Operating expenses			
Cost of natural gas	**403.5**	296.3	352.1
Other operation and maintenance	**429.6**	413.3	347.6
Impairments	**130.0**	12.1	177.2
Depreciation and amortization	**237.8**	234.2	216.8
Property and revenue taxes	**51.5**	57.5	26.4
Total operating expenses	**1,252.4**	1,013.4	1,120.1
Operating income	**206.0**	392.1	236.8
Other income, net	**8.0**	7.2	7.1
Interest expense	**81.5**	87.3	82.4
Other expense	**(73.5)**	(80.1)	(75.3)
Income before income taxes	**132.5**	312.0	161.5
Income tax expense	**36.1**	87.2	41.4
Net income	**$ 96.4**	$ 224.8	$ 120.1

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

THE PEOPLES GAS LIGHT AND COKE COMPANY

C. CONSOLIDATED BALANCE SHEETS

At December 31 *(in millions, except share amounts)*	2025	2024
Assets		
Current assets		
Cash and cash equivalents	**$ —**	$ 1.0
Accounts receivable and unbilled revenues, net of reserves of $80.4 and $82.2, respectively	**482.0**	404.6
Accounts receivable from related parties	**19.9**	13.2
Notes receivable from related party	**30.1**	32.3
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	**114.8**	124.3
Materials and supplies	**33.8**	33.2
Prepayments	**8.7**	16.4
Other	**21.6**	31.2
Current assets	**710.9**	656.2
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation and amortization of $1,977.9 and $1,887.0, respectively	**5,171.3**	5,196.8
Regulatory assets	**583.4**	683.8
Pension and OPEB assets	**196.4**	178.4
Other	**10.1**	8.4
Long-term assets	**5,961.2**	6,067.4
Total assets	**$ 6,672.1**	$ 6,723.6
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term debt	**$ 113.5**	$ 219.9
Accounts payable	**181.6**	166.9
Accounts payable to related parties	**34.0**	31.6
Accrued taxes	**66.8**	44.3
Customer credit balances	**74.1**	84.1
Other	**78.9**	74.8
Current liabilities	**548.9**	621.6
Long-term liabilities		
Long-term debt	**1,985.9**	1,984.4
Deferred income taxes	**869.4**	674.8
Deferred ITCs	**19.5**	20.2
Regulatory liabilities	**682.6**	473.1
Environmental remediation liabilities	**315.3**	302.1
AROs	**168.7**	148.4
Other	**27.9**	81.7
Long-term liabilities	**4,069.3**	3,684.7
Commitments and contingencies (Note 17)		
Shareholder's equity		
Common stock – without par value, 40,000,000 shares authorized; 25,357,566 shares issued and outstanding	**1,638.3**	1,568.1
Retained earnings	**415.6**	849.2
Shareholder's equity	**2,053.9**	2,417.3
Total liabilities and shareholder's equity	**$ 6,672.1**	$ 6,723.6

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

THE PEOPLES GAS LIGHT AND COKE COMPANY

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 *(in millions)*	2025	2024	2023
Operating activities			
Net income	**$ 96.4**	$ 224.8	$ 120.1
Reconciliation to cash provided by operating activities			
Depreciation and amortization	**237.8**	234.2	216.8
Deferred income taxes and ITCs, net	**189.8**	19.7	17.2
Impairments	**130.0**	12.1	177.2
Revenue reduction from proposed settlement related to QIP and UEA riders	**74.0**	—	—
Contributions and payments related to pension and OPEB plans	**(0.4)**	(0.3)	(0.6)
Settlement of AROs	**(8.7)**	(6.8)	(10.7)
Manufactured gas plant remediation costs	**(12.4)**	(33.7)	(25.4)
Change in –			
Accounts receivable and unbilled revenues, net	**(84.1)**	(67.3)	128.2
Materials, supplies, and inventories	**8.9**	(14.4)	(17.9)
Amounts recoverable from customers	**17.1**	(7.7)	0.8
Prepayments	**7.7**	(7.9)	(1.0)
Collateral on deposit	**(7.5)**	34.3	(7.9)
Accounts payable	**21.2**	(22.4)	(78.4)
Accrued taxes	**22.5**	9.4	(24.4)
Customer credit balances	**(10.0)**	(4.7)	13.3
Amounts refundable to customers	**(0.3)**	(7.2)	—
Other current liabilities	**—**	(10.6)	1.6
Other, net	**155.0**	45.8	(42.9)
Net cash provided by operating activities	**837.0**	397.3	466.0
Investing activities			
Capital expenditures	**(271.2)**	(306.6)	(451.8)
Short-term notes receivable from related party, net	**2.2**	(4.4)	18.5
Other, net	**(0.8)**	0.8	2.3
Net cash used in investing activities	**(269.8)**	(310.2)	(431.0)
Financing activities			
Change in short-term debt	**(106.4)**	(110.9)	30.5
Issuance of long-term debt	**—**	—	100.0
Retirement of long-term debt	**—**	(75.0)	—
Equity contribution from parent	**70.0**	250.0	170.0
Payment of dividends to parent	**(530.0)**	(150.0)	(335.0)
Other, net	**(1.8)**	(0.2)	(0.5)
Net cash used in financing activities	**(568.2)**	(86.1)	(35.0)
Net change in cash and cash equivalents	**(1.0)**	1.0	—
Cash and cash equivalents at beginning of year	**1.0**	—	—
Cash and cash equivalents at end of year	**$ —**	$ 1.0	$ —

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

THE PEOPLES GAS LIGHT AND COKE COMPANY

E. CONSOLIDATED STATEMENTS OF EQUITY

(in millions)	Common Stock	Retained Earnings	Total Common Shareholder's Equity
Balance at December 31, 2022	$ 1,147.8	$ 989.3	$ 2,137.1
Net income	—	120.1	120.1
Equity contribution from parent	170.0	—	170.0
Dividends to parent	—	(335.0)	(335.0)
Other	0.2	—	0.2
Balance at December 31, 2023	$ 1,318.0	$ 774.4	$ 2,092.4
Net income	—	224.8	224.8
Equity contribution from parent	250.0	—	250.0
Dividends to parent	—	(150.0)	(150.0)
Other	0.1	—	0.1
Balance at December 31, 2024	$ 1,568.1	$ 849.2	$ 2,417.3
Net income	**—**	**96.4**	**96.4**
Equity contribution from parent	**70.0**	**—**	**70.0**
Dividends to parent	**—**	**(530.0)**	**(530.0)**
Other	**0.2**	**—**	**0.2**
Balance at December 31, 2025	**$ 1,638.3**	**$ 415.6**	**$ 2,053.9**

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations—As used in these notes, the term "financial statements" refers to the consolidated financial statements. This 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 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 jurisdiction of the FERC, which regulates the interstate services we provide. We are wholly owned by PELLC, which is an indirect wholly owned subsidiary of WEC Energy Group.

At December 31, 2025, we had one wholly owned subsidiary, Peoples Gas Neighborhood Development Corporation. The financial statements include our accounts and the accounts of our wholly owned subsidiary.

(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—Inventories consist of materials and supplies and natural gas in storage. Materials and supplies are priced at average cost. We price 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 $80.3 million and $65.8 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 3.34%, 3.36%, and 3.13% 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 $3.7 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 significant impairment losses we recorded on our income statements during the years ended December 31, 2025, 2024, and 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 $10.3 million, $9.0 million, and $2.9 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 and for certain natural gas storage rights. 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 FASB 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 and our subsidiary 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 $14.6 million and prepaid income taxes in the amount of $7.4 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 17, 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) Customer Concentrations of Credit Risk—The geographic concentration of our customers did not contribute significantly to our overall exposure to credit risk. We periodically review customers' credit ratings, financial statements, and historical payment performance and require them to provide collateral or other security as needed. Although we have a comprehensive credit evaluation process and contractual protections, it is possible that one or more counterparties could fail to perform their obligations, and we could recognize financial losses as a result. Our credit risk exposure is mitigated by our rider for uncollectible expense discussed in Note 1(d), Operating Revenues. As a result, we did not have any significant concentrations of credit risk at December 31, 2025. In addition, there were no customers that accounted for more than 10% of our revenues for the year ended December 31, 2025.

(t) 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 NSG			
Charges to NSG for services and other items [1]	**$ 7.3**	$ 6.3	$ 6.6
Interest income on short-term loans to NSG	**0.7**	1.0	1.6
Transactions with WBS			
Charges to WBS for services and other items [1]	**11.6**	6.5	16.6
Charges from WBS for services and other items [1]	**107.2**	103.3	101.4
Transactions with WE			
Charges from WE for services and other items [1]	**2.1**	2.0	1.7

[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 $150.0 million from Integrys and to loan to or borrow from NSG up to $50.0 million. At December 31, 2025 and 2024, our short-term notes receivable balance from NSG was $30.1 million and $32.3 million, respectively. See Note 10, Short-Term Debt and Lines of Credit, 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 for our natural gas utility segment. We do not have any revenues associated with our other segment. We disaggregate revenues into categories that depict how the nature, amount, timing, and uncertainty of revenues and cash flows are affected by economic factors. For our natural gas utility segment, 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
The Peoples Gas Light and Coke Company			
Natural gas utility revenues from contracts with customers	**$ 1,487.8**	$ 1,309.4	$ 1,285.7
Other operating revenues	**(29.4)**	96.1	71.2
Total operating revenues	**$ 1,458.4**	$ 1,405.5	$ 1,356.9

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	**$ 1,003.2**	$ 810.7	$ 826.6
Commercial and industrial	**287.5**	248.7	240.9
Total retail revenues	**1,290.7**	1,059.4	1,067.5
Transportation	**261.9**	244.5	206.8
Other utility revenues [1] [2]	**(64.8)**	5.5	11.4
Total natural gas utility operating revenues	**$ 1,487.8**	$ 1,309.4	$ 1,285.7

[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.

[2] Includes a $74.0 million reduction in revenues recorded in the fourth quarter of 2025 for future billing credits to customers, based on the terms of a proposed settlement in February 2026 that would resolve open QIP and UEA proceedings. See Note 19, Regulatory Environment, for more information.

Other Operating Revenues

Other operating revenues consist primarily of the following:

	Year Ended December 31		
(in millions)	**2025**	**2024**	**2023**
Late payment charges	**$ 25.9**	$ 26.0	$ 30.5
Rental revenues	**0.7**	0.8	1.2
Alternative revenues [1]	**(56.0)**	69.3	39.5
Total other operating revenues	**$ (29.4)**	$ 96.1	$ 71.2

[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	**$ 562.4**	$ 486.8
Allowance for credit losses	**80.4**	82.2
Accounts receivable and unbilled revenues, net [1]	**$ 482.0**	$ 404.6
Total accounts receivable, net – past due greater than 90 days [1]	**$ 35.4**	$ 28.8
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 19, 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	**$ 82.2**	$ 107.4	$ 108.0
Provision for credit losses	**53.9**	50.6	24.3
Provision for credit losses deferred for future recovery or refund	**(28.0)**	(6.8)	36.9
Write-offs charged against the allowance	**(79.1)**	(93.0)	(82.8)
Recoveries of amounts previously written off	**51.4**	24.0	21.0
Balance at December 31	**$ 80.4**	$ 82.2	$ 107.4

The allowance for credit losses decreased during the year ended December 31, 2024, largely driven by customer write-offs. After a customer is disconnected for a period of time without payment on their account, we will write off that customer balance. We also believe that the lower energy costs that customers were seeing, which were driven by warmer than normal weather conditions during most of 2024 and low average natural gas prices, contributed to a reduction in past due accounts receivable balances and a related decrease in the allowance for credit losses.

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]	**$ 325.4**	$ 330.0	17
Pension and OPEB costs [4]	**106.4**	120.1	15
AROs	**64.6**	75.0	1(j), 7
Decoupling	**34.2**	90.1	1(d)
Derivatives	**28.8**	22.7	1(o)
Uncollectible expense	**7.3**	33.4	4
Other, net	**25.3**	38.2	
Total regulatory assets	**$ 592.0**	$ 709.5	
Balance sheet presentation			
Other current assets	**$ 8.6**	$ 25.7	
Regulatory assets	**583.4**	683.8	
Total regulatory assets	**$ 592.0**	$ 709.5	

(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 $67.6 million of regulatory assets not earning a return. The regulatory assets not earning a return primarily relate to our decoupling mechanism, unamortized losses on reacquired debt, uncollectible expense, 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 $10.1 million related to these environmental remediation costs. The remaining $315.3 million represents our estimated future cash expenditures.

(4) Primarily represents the unrecognized future pension and OPEB costs related to our defined benefit pension and OPEB plans. We are authorized recovery of these regulatory assets over the average remaining service life of each plan.

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	**$ 308.3**	$ 315.5	12
Proposed settlement related to QIP and UEA riders	**124.0**	—	19
Removal costs [1]	**95.3**	56.0	
Pension and OPEB benefits [2]	**65.4**	63.2	15
Uncollectible expense	**53.9**	21.8	4
Other, net	**42.5**	23.7	
Total regulatory liabilities	**$ 689.4**	$ 480.2	
Balance sheet presentation			
Other current liabilities	**$ 6.8**	$ 7.1	
Regulatory liabilities	**682.6**	473.1	
Total regulatory liabilities	**$ 689.4**	$ 480.2	

(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 obligation.

(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, storage, and transmission	**$ 6,733.6**	$ 6,694.4
Other	**314.8**	306.2
Less: Accumulated depreciation	**1,977.9**	1,887.0
Net	**5,070.5**	5,113.6
Construction work in progress	**100.8**	83.2
Total property, plant, and equipment	**$ 5,171.3**	$ 5,196.8

Impairments

In the fourth quarter of 2025, we recorded a $130.0 million impairment to property, plant, and equipment related to the terms of a proposed settlement that would resolve our open QIP proceedings.

In August 2024, the ICC issued a final order on our 2016 QIP annual reconciliation, which included a disallowance of certain capital costs. As a result, we recorded a $12.1 million impairment to property, plant, and equipment in 2024.

In November 2023, the ICC issued written rate orders that disallowed certain previously incurred capital costs related to the construction and improvement of our service centers. As a result of this disallowance, we recorded a $177.2 million non-cash impairment to property, plant, and equipment in 2023.

See Note 19, 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 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	**$ 148.4**	$ 135.8	$ 260.9
Accretion	**7.4**	6.7	9.6
Additions	**—**	—	1.4
Revisions to estimated cash flows	**22.0**	11.9	(128.3) [1]
Liabilities settled	**(9.1)**	(6.0)	(7.8)
Balance as of December 31	**$ 168.7**	$ 148.4	$ 135.8

[1] AROs decreased primarily due to revisions made to estimated cash flows for changes in removal cost estimates and settlement dates for mains and 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 NSG.

See Note 10, Short-Term Debt and Lines of Credit, for discussion of certain financial covenants related to our short-term debt obligations.

As of December 31, 2025, none of our retained earnings were restricted.

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 430,000 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 AND LINES OF CREDIT

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
Commercial paper		
Amount outstanding at December 31	**$ 113.5**	$ 219.9
Average interest rate on amount outstanding at December 31	**3.88 %**	4.64 %

Our average amount of commercial paper borrowings based on daily outstanding balances during 2025, was $135.9 million with a weighted-average interest rate during the period of 4.51%.

We have entered into a bank back-up credit facility to maintain short-term credit liquidity which, among other terms, requires us to maintain, subject to certain exclusions, a total funded debt to capitalization ratio of 65% or less. As of December 31, 2025, we were in compliance with our financial covenants.

The information in the table below relates to our short-term debt, our revolving credit facility used to support our commercial paper borrowing program, and financing commitments with related parties, including remaining available capacity under these arrangements as of December 31:

(in millions)	Maturity	2025
Revolving credit facility [1]	August 2030	**$ 600.0**
Revolving short-term notes payable to related parties [2]		**200.0**
Total short-term credit capacity		**$ 800.0**
Less:		
Commercial paper outstanding		**113.5**
Available capacity under existing agreements		**$ 686.5**

[1] In August 2025, the capacity of our credit facility was increased to $600.0 million, and the maturity was extended to August 2030.

[2] We have the ability to borrow up to $150.0 million from Integrys and up to $50.0 million from NSG. At December 31, 2025, we had no borrowings outstanding with Integrys or NSG.

Our credit facility has a renewal provision for two one-year extensions, subject to lender approval.

Our bank back-up credit facility contains customary covenants, including certain limitations on our ability to sell assets. The credit facility also contains customary events of default, including payment defaults, material inaccuracy of representations and warranties, covenant defaults, bankruptcy proceedings, certain judgments, Employee Retirement Income Security Act of 1974 defaults, and change of control.

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 and Refunding Mortgage Bonds (secured)	5.23%	2027	**100.0**	100.0
	3.87%	2028	**150.0**	150.0
	2.20%	2028	**200.0**	200.0
	5.82%	2029	**100.0**	100.0
	2.96%	2029	**275.0**	275.0
	3.90%	2030	**50.0**	50.0
	1.98%	2030	**200.0**	200.0
	3.06%	2031	**50.0**	50.0
	4.00%	2033	**50.0**	50.0
	3.98%	2042	**100.0**	100.0
	3.96%	2043	**220.0**	220.0
	4.21%	2044	**200.0**	200.0
	3.65%	2046	**50.0**	50.0
	3.65%	2046	**150.0**	150.0
	3.77%	2047	**100.0**	100.0
Total			**1,995.0**	1,995.0
Unamortized debt issuance costs			**(9.1)**	(10.6)
Total long-term debt			**$ 1,985.9**	$ 1,984.4

Our First Mortgage Bonds are subject to the terms and conditions of our First Mortgage Indenture dated January 2, 1926, 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.

We have used certain First Mortgage Bonds to secure tax exempt interest rates. The Illinois Finance Authority has issued tax exempt bonds, and the proceeds from the sale of these bonds were loaned to us. In return, we issued $100 million of collateralized First Mortgage Bonds. In February 2026, we provided notice of our intent to redeem in full all $50 million of our First and Refunding Mortgage Bonds, Series VV and all of our $50 million First and Refunding Mortgage Bonds, Series ZZ. In addition, all $50.0 million of the related 3.90% Illinois Finance Authority Gas Supply Refunding Revenue Bonds, Series 2010 due March 1, 2030 and all $50.0 million of the 4.00% Illinois Finance Authority Gas Supply Refunding Revenue Bonds, Series 2013A due February 1, 2033 will also be redeemed at par. All redemptions are scheduled to occur on March 30, 2026.

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	100.0
2028	350.0
2029	375.0
2030	250.0
Thereafter	920.0
Total	$ 1,995.0

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	**$ (102.6)**	$ 48.4	$ 20.2
State	**(51.1)**	19.1	4.0
Deferred tax expense, net			
Federal	**125.4**	7.9	5.1
State	**64.9**	12.3	13.2
ITCs, net	**(0.5)**	(0.5)	(1.1)
Total income tax expense	**$ 36.1**	$ 87.2	$ 41.4

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	**$ 132.5**		$ 312.0		$ 161.5	
US federal statutory income tax rate	**$ 27.8**	**21.0 %**	$ 65.5	21.0 %	$ 33.9	21.0 %
State and local income taxes net of federal tax effect [1]	**10.3**	**7.8 %**	23.7	7.6 %	12.3	7.6 %
Tax credits						
Other	**(0.5)**	**(0.4)%**	(0.5)	(0.2)%	(1.2)	(0.7)%
Nontaxable or nondeductible items						
Other	**1.5**	**1.1 %**	1.2	0.4 %	0.8	0.5 %
Other adjustments						
Federal excess deferred tax amortization [2]	**(3.1)**	**(2.4)%**	(3.1)	(1.0)%	(4.8)	(3.0)%
Other, net	**0.1**	**0.1 %**	0.4	0.1 %	0.4	0.2 %
Total income tax expense	**$ 36.1**	**27.2 %**	$ 87.2	27.9 %	$ 41.4	25.6 %

[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	**$ 93.4**	$ 94.8
Uncollectible account expense	**20.8**	13.9
Future tax benefits	**10.7**	0.3
Regulatory deferrals	**7.6**	—
Other	**42.6**	22.8
Total deferred tax assets	**$ 175.1**	$ 131.8
Deferred tax liabilities		
Property-related	**$ 979.2**	$ 709.4
Employee benefits and compensation	**59.9**	59.6
Regulatory deferrals	**—**	27.1
Other	**5.4**	10.5
Total deferred tax liabilities	**$ 1,044.5**	$ 806.6
Deferred tax liability, net	**$ 869.4**	$ 674.8

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 tax benefit carryforwards as of December 31, 2025 and 2024 are summarized in the tables below:

2025 *(in millions)*	Gross Value	Deferred Tax Effect	Earliest Year of Expiration
Future tax benefits as of December 31, 2025			
State net operating loss	**138.1**	**10.4**	**2044**
Other state benefits	**—**	**0.3**	**2028**
Balance as of December 31, 2025	**$ 138.1**	**$ 10.7**	

2024 *(in millions)*	Deferred Tax Effect	Earliest Year of Expiration
Future tax benefits as of December 31, 2024		
State benefits	**$ 0.3**	**2028**
Balance as of December 31, 2024	**$ 0.3**	

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 consolidated income statements. At December 31, 2025 and 2024, we had no interest accrued and no amounts accrued for penalties related to unrecognized tax benefits.

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	**$ (117.0)**	$ 53.2	$ 26.1
State	**(58.7)**	21.0	7.9
Total income taxes paid (received), net	**$ (175.7)**	$ 74.2	$ 34.0

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	**$ (58.7)**	$ 21.0	$ 7.9

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	**$ 0.8**	**$ 2.2**	**$ —**	**$ 3.0**
Derivative liabilities	**8.2**	**1.8**	**—**	**10.0**

	December 31, 2024			
(in millions)	Level 1	Level 2	Level 3	Total
Natural gas contracts				
Derivative assets	$ 5.3	$ —	$ —	$ 5.3
Derivative liabilities	4.2	1.7	—	5.9

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.

Fair Value of Financial Instruments

The following table shows the financial instruments included on our balance sheets that were not recorded at fair value at December 31:

	2025		2024	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	**$ 1,985.9**	**$ 1,781.9**	$ 1,984.4	$ 1,720.0

The fair value of our long-term debt is categorized within Level 2 of the fair value hierarchy.

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	**$ 3.0**	**$ 9.2**	$ 3.0	$ 5.9
Long-term	**—**	**0.8**	2.3	—
Total	**$ 3.0**	**$ 10.0**	$ 5.3	$ 5.9

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	**38.6 Dth**	**$ (8.6)**	38.6 Dth	$ (42.8)	38.6 Dth	$ (63.3)

At December 31, 2025 and 2024, we had posted cash collateral of $9.9 million and $2.4 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	**$ 3.0**	**$ 10.0**	$ 5.3	$ 5.9
Gross amount not offset on the balance sheet	**(0.8)**	**(8.2)** [1]	(4.2)	(4.2)
Net amount	**$ 2.2**	**$ 1.8**	$ 1.1	$ 1.7

[1] Includes cash collateral posted of $7.4 million.

NOTE 15—EMPLOYEE BENEFITS

Pension and Other Postretirement Employee Benefits

We have a combined noncontributory, qualified pension plan with NSG. We also participate in unfunded, non-qualified retirement plans sponsored by PELLC and WEC Energy Group.

We offer an OPEB plan to employees, which is also 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 tables provide a reconciliation of the changes in 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**
Change in benefit obligation				
Obligation at January 1	**$ 222.3**	$ 244.0	**$ 60.1**	$ 64.8
Service cost	**4.5**	5.4	**1.7**	2.0
Interest cost	**11.3**	12.0	**3.3**	3.3
Net transfer to affiliates	**—**	—	**—**	(0.1)
Actuarial (gain) loss	**2.7**	(18.1)	**1.0**	(5.5)
Participant contributions	**—**	—	**2.8**	2.7
Benefit payments	**(34.0)**	(21.0)	**(8.5)**	(7.1)
Obligation at December 31	**$ 206.8**	$ 222.3	**$ 60.4**	$ 60.1
Change in fair value of plan assets				
Fair value at January 1	**$ 282.6**	$ 288.1	**$ 177.8**	$ 170.4
Actual return on plan assets	**23.3**	15.4	**18.9**	11.6
Employer contributions	**0.1**	0.1	**0.3**	0.2
Participant contributions	**—**	—	**2.8**	2.7
Benefit payments	**(34.0)**	(21.0)	**(8.5)**	(7.1)
Fair value at December 31	**$ 272.0**	$ 282.6	**$ 191.3**	$ 177.8
Funded status at December 31	**$ 65.2**	$ 60.3	**$ 130.9**	$ 117.7

In 2025, we had an actuarial loss related to our pension benefit obligations of $2.7 million and an actuarial gain of $18.1 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, we had an actuarial loss related to our OPEB benefit obligations of $1.0 million and an actuarial gain of $5.5 million in 2024. The primary driver for the actuarial loss in 2025 was due to changes to medical trend assumptions and claims and premium updates. The 2025 loss was also driven by a lower discount rate. 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 the benefit plans were as follows:

	Pension Benefits		OPEB Benefits	
(in millions)	**2025**	**2024**	**2025**	**2024**
Pension and OPEB assets	**$ 65.5**	$ 60.7	**$ 130.9**	$ 117.7
Other long-term liabilities	**0.3**	0.4	**—**	—
Total net assets	**$ 65.2**	$ 60.3	**$ 130.9**	$ 117.7

The accumulated benefit obligation for the defined benefit pension plans was $191.0 million and $205.1 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. There were no plan assets related to these obligations. Amounts presented are as of December 31:

(in millions)	**2025**	**2024**
Accumulated benefit obligation	**$ 0.3**	$ 0.3

The following table shows information for pension plans with a projected benefit obligation in excess of plan assets. There were no plan assets related to these pension obligations. Amounts presented are as of December 31:

(in millions)	**2025**	**2024**
Projected benefit obligation	**$ 0.3**	$ 0.4

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 assets (liabilities)				
Net actuarial loss (gain)	**$ 97.8**	$ 112.0	**$ (54.1)**	$ (52.3)
Prior service costs (credits)	**—**	—	**(1.3)**	(3.1)
Total	**$ 97.8**	$ 112.0	**$ (55.4)**	$ (55.4)

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

	Pension Benefits			OPEB Benefits		
(in millions)	**2025**	**2024**	**2023**	**2025**	**2024**	**2023**
Service cost	**$ 4.5**	$ 5.4	$ 5.6	**$ 1.7**	$ 2.0	$ 2.0
Interest cost	**11.3**	12.0	12.8	**3.3**	3.3	3.5
Expected return on plan assets	**(18.6)**	(19.9)	(20.7)	**(11.4)**	(10.8)	(10.1)
Plan settlement	**(0.9)**	—	—	**—**	—	—
Amortization of prior service costs (credits)	**—**	—	0.2	**(1.8)**	(2.1)	(2.5)
Amortization of net actuarial loss (gain)	**13.3**	13.3	13.5	**(4.8)**	(3.9)	(3.7)
Net periodic benefit cost (credit)	**$ 9.6**	$ 10.8	$ 11.4	**$ (13.0)**	$ (11.5)	$ (10.8)

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 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	**$ 16.8**	**$ —**	**$ —**	**$ 16.8**	**$ 21.7**	**$ —**	**$ —**	**$ 21.7**
International equity	**18.5**	**—**	**—**	**18.5**	**22.8**	**—**	**—**	**22.8**
Fixed income securities: [1]								
United States bonds	**—**	**70.1**	**0.1**	**70.2**	**33.0**	**31.9**	**—**	**64.9**
International bonds	**—**	**6.8**	**—**	**6.8**	**—**	**1.1**	**—**	**1.1**
	$ 35.3	**$ 76.9**	**$ 0.1**	**$ 112.3**	**$ 77.5**	**$ 33.0**	**$ —**	**$ 110.5**
Investments measured at net asset value:								
Equity securities				**42.8**				**46.3**
Fixed income securities				**25.8**				**16.5**
Other				**91.1**				**18.0**
Total				**$ 272.0**				**$ 191.3**

[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	$ 19.0	$ —	$ —	$ 19.0	$ 21.1	$ —	$ —	$ 21.1
International equity	17.8	—	—	17.8	19.3	—	—	19.3
Fixed income securities: [1]								
United States bonds	—	68.3	—	68.3	29.9	30.0	—	59.9
International bonds	—	8.8	—	8.8	—	1.5	—	1.5
	$ 36.8	$ 77.1	$ —	$ 113.9	$ 70.3	$ 31.5	$ —	$ 101.8
Investments measured at net asset value:								
Equity securities				46.4				42.0
Fixed income securities				26.9				15.4
Other				95.4				18.6
Total				$ 282.6				$ 177.8

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

The following tables set forth a reconciliation of changes in fair values of pension and OPEB plan assets categorized as Level 3 in the fair value hierarchy:

(in millions)	United States Bonds Pension
Beginning balance at January 1, 2025	$ —
Purchases	0.1
Ending balance at December 31, 2025	**$ 0.1**

Cash Flows

We expect to contribute $0.2 million to the pension plans and $0.5 million to the OPEB plans in 2026, dependent upon various factors affecting us, including our liquidity position and possible tax law changes.

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	$ 30.4	$ 5.7
2027	25.2	5.8
2028	20.2	5.7
2029	17.9	5.6
2030	18.1	5.5
2031-2035	74.6	24.8

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 $10.4 million, $9.8 million, and $9.6 million in 2025, 2024, and 2023, respectively.

NOTE 16—SEGMENT INFORMATION

Our President, who is our CODM, reviews financial information presented on a segment basis for purposes of making operating decisions and assessing performance. The CODM regularly reviews net income to measure segment profitability and to allocate resources, including assets, to our business. Net income best measures our segment profitability as it reflects all revenues and costs.

Our CODM allocates resources such as employees as well as financial and capital resources to our segments during the annual review of budgets and the capital plan. Our CODM also reviews and revises the resources throughout the year during the monthly forecasting process in order to make timely decisions that align with our overall corporate strategy. The CODM uses each segment’s net income to evaluate performance by comparing actual results to budgeted and forecasted amounts, as well as the ROE earned.

Segments were determined based on a combination of factors, including the regulatory environment of the geographical jurisdiction in which the segment operates, as well as the revenue streams for the products or services provided to natural gas customers. See Note 3, Operating Revenues, for more information on disaggregation of operating revenues, including intercompany eliminations. The accounting policies of the segments are the same as those described in Note 1—Summary of Significant Accounting Policies.

At December 31, 2025, we reported two segments. Our utility operations are reported in the natural gas utility segment. Our non-utility operations are reported in the other segment. No items were reported in the other segment for any of the years presented. All of our operations and assets are located within the United States.

Since our natural gas utility segment consists of all revenues and costs used in our performance measure of net income, see our income statements for more information. Other income, net on our income statements includes amounts that are not material for interest income.

Our natural gas utility segment assets are reported on the balance sheet as total assets. Our natural gas utility segment capital expenditures are reported on the statement of cash flows as capital expenditures.

NOTE 17—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	$ 264.4	$ 72.2	$ 72.5	$ 61.5	$ 31.2	$ 13.0	$ 14.0

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 development of additional sources of RNG;
- 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 ours, and using RNG throughout its natural gas utility systems.

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 EPA and IEPA 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	**$ 325.4**	$ 330.0
Reserves for future environmental remediation	**315.3**	302.1

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 18—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	**$ 78.8**	$ 84.3	$ 79.0
Significant non-cash investing and financing transactions:			
Accounts payable related to construction costs	**12.7**	20.8	32.2
Liabilities accrued for software licensing agreements	**4.5**	—	—

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

NOTE 19—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 $201.3 million (20.95%), which is primarily driven by capital investments made to strengthen the safety and reliability of our natural gas distribution system. This includes the estimated revenue requirements associated with our PRP projects. As discussed below, projects completed under our PRP are to meet the ICC's directive to retire all cast and ductile iron pipe that has a diameter under 36 inches by January 1, 2035. Our rate request includes the revenue requirements associated with approximately $360 million of capital investments planned under our PRP in 2027. 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. We were also seeking to recover costs incurred to upgrade our natural gas storage field and operations facilities and to continue improving customer service. We did not request an extension of the QIP rider as we have returned to the traditional rate making process to recover the costs of necessary infrastructure improvements.

In November 2023, the ICC issued a final written order, which was subsequently amended for various technical corrections, approving a base rate increase for our natural gas customers. The amended written order authorized:

- a $304.6 million (43.5%) base rate increase, effective December 1, 2023, which includes the recovery of costs that were previously being recovered under our QIP rider;
- an ROE of 9.38%; and
- a common equity component average of 50.79%.

As part of its decision, the ICC, among other things, disallowed $236.2 million of capital costs related to the construction and improvement of our shops and facilities. In addition, the ICC ordered us to pause spending on projects to upgrade our natural gas delivery system until the ICC had a proceeding to determine the optimal method for replacing aging natural gas infrastructure and a prudent investment level.

In December 2023, we and NSG 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 us a limited-scope rehearing focused exclusively on the authorized spending for the completion of projects to upgrade our natural gas delivery system that started in 2023 and emergency repairs needed to ensure the safety and reliability of the delivery system. In May 2024, the ICC issued a written order on the rehearing. The order approved $28.5 million of additional spending for emergency work, representing a $1.6 million increase to our annual revenue requirement.

As the ICC did not grant a rehearing on the disallowance of our capital costs, we recorded a $177.2 million non-cash impairment of our property, plant, and equipment during the fourth quarter of 2023. This amount reflects the previously incurred disallowed costs related to our shops and facilities. The remaining disallowance of capital costs related to our expected future spend.

In June 2024, we filed a petition with the Illinois Appellate Court for review of the November 2023 and May 2024 orders. The appeal included the ICC's $236.2 million disallowance of capital costs discussed above, along with the $116.0 million disallowance of capital investments needed to meet safety and reliability requirements of our natural gas delivery system. Although the ICC ordered us to complete safety and reliability work in 2024, it denied the recovery of these costs in our current rates. On March 10, 2026, the Illinois Appellate Court issued an order affirming the November 2023 and May 2024 orders and the related disallowances.

In accordance with the November 2023 rate order, the ICC initiated a proceeding in January 2024 to determine the optimal method and a prudent investment level for replacing aging natural gas infrastructure. In February 2025, the ICC issued an order setting expectations for our prospective operations. The ICC directed us to focus on retiring all cast and ductile iron pipe that has a diameter under 36 inches by January 1, 2035. The ICC also indicated that failure to comply with this directive could subject us to civil penalties under Illinois statute. We are working to retire this cast and ductile iron pipe through our PRP. Costs incurred under the PRP will be evaluated for prudency by the ICC in future rate cases. In addition, the program will be overseen by a safety monitor hired by the ICC. As discussed above, we initiated a general rate case proceeding in January 2026, which we anticipate will provide further regulatory clarity before we significantly increase our spend associated with the PRP.

Riders

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 $15.4 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. Annual costs included in the rider, which reflect uncollectible write-offs in excess of what is recovered in base rates, have ranged from $10 million to $38 million. However, see Uncollectible Expense Adjustment and Qualifying Infrastructure Plant Riders Settlement below for information on a proposed settlement that would resolve all open proceedings.

Qualifying Infrastructure Plant Rider

In July 2013, Illinois Public Act 98-0057, The Natural Gas Consumer, Safety & Reliability Act, became law. This law provides natural gas utilities with a cost recovery mechanism that allows collection, through a surcharge on customer bills, of prudently incurred costs to upgrade Illinois natural gas infrastructure. In January 2014, the ICC approved a QIP rider for us, which was in effect until December 1, 2023. As discussed above, we have returned to the traditional rate-making process for recovery of these costs, and they are now included in our base rates.

Costs previously incurred under our QIP rider are still subject to an annual reconciliation whereby costs are reviewed for accuracy and prudency. In August 2024, the ICC issued a final order on our 2016 annual reconciliation, which included a disallowance of $14.8 million of certain capital costs. We recorded a pre-tax charge to income of $25.3 million during the third quarter of 2024 related to the disallowance and the previously recognized return on and of these investments. The charge was recorded on the income statement as a $12.9 million reduction in revenues for the amounts previously collected from customers, a $12.1 million increase to operating expenses for the impairment of our property, plant, and equipment, and a $0.3 million increase to interest expense related to the amounts due to customers. In October 2024, we filed a petition with the Illinois Appellate Court for review of the ICC's August order; however, in January 2026, we filed an unopposed motion to stay the appeal, which was granted by the court.

Our QIP reconciliations from 2017 through 2023 are still pending. Future disallowances by the ICC could be material. The aggregate capital costs included in the rider during the open reconciliation years, along with any previously recognized return on these investments, totaled approximately $3.0 billion as of December 31, 2025. However, see Uncollectible Expense Adjustment and Qualifying Infrastructure Plant Riders Settlement below for information on a proposed settlement that would resolve all open proceedings.

Uncollectible Expense Adjustment and Qualifying Infrastructure Plant Riders Settlement

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 and QIP riders. We agreed to refund $49.0 million to customers as bill credits over a period of three years between 2026 and 2028 to resolve our open UEA proceedings. In order to resolve our open QIP proceedings, we agreed to permanently remove $130.0 million of qualified infrastructure investment costs from rate base starting in 2027 and to refund $75.0 million to customers as bill credits over a period of three years between 2026 and 2028. This agreement resulted in a $204.0 million pre-tax charge to income during the fourth quarter of 2025. The charge was recorded as a $130.0 million impairment to our net property, plant, and equipment and a $74.0 million reduction to revenues. The total of the rate base reduction and the obligation to refund amounts to customers through bill credits recorded on our balance sheet at December 31, 2025 is $254.0 million. This includes the $204.0 million charge to income recorded during 2025 and a $50.0 million charge to income recorded in prior years. This proposed settlement is subject to ICC approval following a public review process.

NOTE 20—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	**$ 6.2**	$ 5.1	$ 4.0
Interest income	**1.8**	2.1	3.2
Other, net	**—**	—	(0.1)
Other income, net	**$ 8.0**	$ 7.2	$ 7.1

NOTE 21—NEW ACCOUNTING PRONOUNCEMENTS

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU No. 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40) Disaggregation of Income Statement Expenses. The amendments require disclosure of certain costs and expenses in the notes to financial statements, which are disaggregated from relevant expense captions on the income statement. The amendments also require additional qualitative disclosures of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. Finally, the amendments require disclosure of the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. The amendments are effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. We plan to adopt these amendments beginning with our fiscal year ending on December 31, 2027, and are currently evaluating the impact this guidance may have on our financial statements and related disclosures.