NORTH SHORE GAS COMPANY

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

FINANCIAL STATEMENTS

For the Quarter Ended September 30, 2018

NORTH SHORE GAS COMPANY

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended September 30		Nine Months Ended September 30	
(in millions)	**2018**	**2017**	**2018**	**2017**
Operating revenues	**$ 25.2**	$ 23.1	**$ 131.3**	$ 132.1
Operating expenses				
Cost of natural gas	**7.6**	6.5	**64.2**	64.0
Other operation and maintenance	**12.3**	11.5	**36.1**	34.5
Depreciation and amortization	**4.1**	3.8	**12.0**	10.9
Property and revenue taxes	**0.5**	0.4	**1.5**	1.4
Total operating expenses	**24.5**	22.2	**113.8**	110.8
Operating income	**0.7**	0.9	**17.5**	21.3
Other expense, net	**—**	(0.1)	**(0.1)**	(0.4)
Interest expense	**1.1**	1.0	**3.3**	2.9
Other expense	**(1.1)**	(1.1)	**(3.4)**	(3.3)
Income (loss) before income taxes	**(0.4)**	(0.2)	**14.1**	18.0
Income tax expense	**—**	—	**3.4**	7.3
Net income (loss)	**$ (0.4)**	$ (0.2)	**$ 10.7**	$ 10.7

NORTH SHORE GAS COMPANY

CONDENSED BALANCE SHEETS (Unaudited) *(in millions, except share amounts)*	September 30 2018	December 31 2017
Assets		
Current assets		
Cash and cash equivalents	**$ 0.2**	$ 0.3
Accounts receivable and unbilled revenues, net of reserves of $4.3 and $3.8, respectively	**21.9**	41.8
Receivables from related parties	**2.4**	—
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	**20.0**	18.0
Materials and supplies	**3.2**	2.6
Liquid propane	**0.7**	0.7
Other	**2.0**	3.2
Current assets	**50.4**	66.6
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of $209.8 and $199.9, respectively	**429.0**	386.0
Regulatory assets	**64.0**	65.8
Other	**3.0**	4.3
Long-term assets	**496.0**	456.1
Total assets	**$ 546.4**	$ 522.7
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable	**$ 27.2**	$ 22.2
Payables to related parties	**4.5**	3.6
Notes payable to related parties	**59.0**	62.8
Accrued taxes	**2.8**	4.4
Customer credit balances	**8.4**	8.0
Other	**9.4**	8.2
Current liabilities	**111.3**	109.2
Long-term liabilities		
Long-term debt	**81.5**	81.5
Deferred income taxes	**55.2**	56.2
Deferred investment tax credits	**2.6**	2.6
Regulatory liabilities	**65.1**	61.9
Environmental remediation liabilities	**42.8**	42.8
Pension and OPEB obligations	**24.0**	22.7
Asset retirement obligations	**19.7**	18.9
Other	**5.6**	4.0
Long-term liabilities	**296.5**	290.6
Commitments and contingencies		
Shareholder's equity		
Common stock, without par value, 5,000,000 shares authorized; 3,625,887 shares issued and outstanding	**38.0**	33.0
Retained earnings	**100.6**	89.9
Shareholder's equity	**138.6**	122.9
Total liabilities and shareholder's equity	**$ 546.4**	$ 522.7

NORTH SHORE GAS COMPANY

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)	Nine Months Ended September 30	
(in millions)	**2018**	**2017**
Operating activities		
Net income	**$ 10.7**	$ 10.7
Reconciliation to cash provided by operating activities		
Depreciation and amortization	**12.0**	10.9
Deferred income taxes and investment tax credits, net	**(1.9)**	1.7
Change in –		
Accounts receivable and unbilled revenues	**16.3**	14.1
Materials, supplies, and inventories	**(2.6)**	(6.6)
Other current assets	**3.2**	1.9
Accounts payable	**8.9**	(4.7)
Other current liabilities	**0.1**	5.1
Other, net	**6.4**	0.7
Net cash provided by operating activities	**53.1**	33.8
Investing activities		
Capital expenditures	**(51.5)**	(20.5)
Payments for assets transferred from WEC Business Services LLC	**(3.3)**	(4.8)
Other, net	**0.5**	0.7
Net cash used in investing activities	**(54.3)**	(24.6)
Financing activities		
Short-term notes payable to related parties, net	**(3.8)**	0.6
Payment of dividends to parent	**—**	(10.0)
Equity contribution from parent	**5.0**	—
Other, net	**(0.1)**	—
Net cash provided by (used in) financing activities	**1.1**	(9.4)
Net change in cash and cash equivalents	**(0.1)**	(0.2)
Cash and cash equivalents at beginning of period	**0.3**	0.4
Cash and cash equivalents at end of period	**$ 0.2**	$ 0.2
Supplemental cash flow information		
Cash (paid) for interest	**$ (2.3)**	$ (1.9)
Cash (paid) for income taxes, net	**(4.3)**	(2.4)