NORTH SHORE GAS COMPANY

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

FINANCIAL STATEMENTS

For the Quarter Ended March 31, 2019

NORTH SHORE GAS COMPANY

CONDENSED INCOME STATEMENTS (Unaudited)	Three Months Ended March 31	
(in millions)	**2019**	**2018**
Operating revenues	**$ 75.7**	$ 71.5
Operating expenses		
Cost of natural gas	**45.8**	41.6
Other operation and maintenance	**12.7**	11.3
Depreciation and amortization	**4.3**	3.9
Property and revenue taxes	**0.6**	0.5
Total operating expenses	**63.4**	57.3
Operating income	**12.3**	14.2
Other expense, net	**0.1**	—
Interest expense	**1.5**	1.1
Other expense	**(1.6)**	(1.1)
Income before income taxes	**10.7**	13.1
Income tax expense	**2.6**	3.1
Net income	**$ 8.1**	$ 10.0

NORTH SHORE GAS COMPANY

CONDENSED BALANCE SHEETS (Unaudited) *(in millions, except share amounts)*	March 31 2019	December 31 2018
Assets		
Current assets		
Cash and cash equivalents	**$ 3.0**	$ 0.9
Accounts receivable and unbilled revenues, net of reserves of $4.5 and $3.6, respectively	**49.1**	42.4
Receivables from related parties	**2.5**	2.5
Materials, supplies, and inventories:		
Natural gas in storage, at LIFO	**1.7**	13.3
Materials and supplies	**3.1**	3.0
Liquid propane	**0.6**	0.7
Other	**1.6**	6.0
Current assets	**61.6**	68.8
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation of $213.6 and $210.3, respectively	**443.6**	437.7
Regulatory assets	**59.6**	61.7
Other	**7.2**	7.4
Long-term assets	**510.4**	506.8
Total assets	**$ 572.0**	$ 575.6
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable	**$ 20.8**	$ 31.1
Payables to related parties	**5.8**	6.1
Short-term debt to related parties	**—**	25.6
Temporary LIFO liquidation credit	**9.5**	—
Accrued taxes	**6.4**	4.2
Customer credit balances	**5.9**	8.2
Amounts refundable to customers	**3.3**	0.2
Other	**7.3**	7.5
Current liabilities	**59.0**	82.9
Long-term liabilities		
Long-term debt	**131.0**	131.0
Deferred income taxes	**58.9**	58.1
Regulatory liabilities	**71.5**	69.5
Environmental remediation liabilities	**39.7**	39.7
Pension obligations	**25.1**	24.6
Asset retirement obligations	**20.0**	19.7
Other	**8.1**	7.5
Long-term liabilities	**354.3**	350.1
Commitments and contingencies		
Shareholder's equity		
Common stock, without par value, 5,000,000 shares authorized; 3,625,887 shares issued and outstanding	**46.0**	38.0
Retained earnings	**112.7**	104.6
Shareholder's equity	**158.7**	142.6
Total liabilities and shareholder's equity	**$ 572.0**	$ 575.6

NORTH SHORE GAS COMPANY

CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)	Three Months Ended March 31	
(in millions)	**2019**	**2018**
Operating activities		
Net income	**$ 8.1**	$ 10.0
Reconciliation to cash provided by operating activities		
Depreciation and amortization	**4.3**	3.9
Deferred income taxes and investment tax credits, net	**0.3**	(1.3)
Change in –		
Accounts receivable and unbilled revenues	**(6.7)**	(10.4)
Materials, supplies, and inventories	**11.6**	13.3
Other current assets	**3.6**	2.2
Accounts payable	**(8.0)**	1.7
Temporary LIFO liquidation credit	**9.5**	4.5
Accrued taxes	**2.2**	4.3
Amounts refundable to customers	**3.1**	3.3
Other current liabilities	**(2.3)**	(2.7)
Other, net	**4.6**	5.7
Net cash provided by operating activities	**30.3**	34.5
Investing activities		
Capital expenditures	**(10.5)**	(10.0)
Payments for assets transferred from WEC Business Services LLC	**—**	(2.7)
Other, net	**(0.1)**	0.5
Net cash used in investing activities	**(10.6)**	(12.2)
Financing activities		
Short-term debt to related parties, net	**(25.6)**	(26.6)
Equity contribution from parent	**8.0**	5.0
Other, net	**—**	0.1
Net cash used in financing activities	**(17.6)**	(21.5)
Net change in cash and cash equivalents	**2.1**	0.8
Cash and cash equivalents at beginning of period	**0.9**	0.3
Cash and cash equivalents at end of period	**$ 3.0**	$ 1.1
Supplemental cash flow information		
Cash (paid) for interest	**$ (0.2)**	$ (0.2)