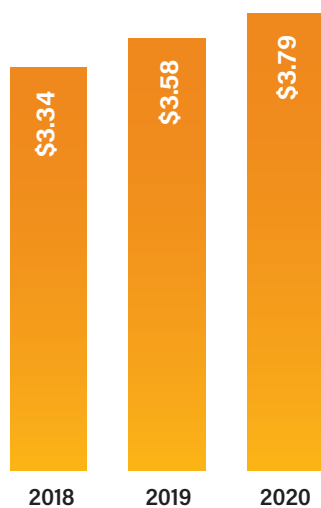


WE TURNED
RESILIENCE
INTO
Results

FOR OUR STOCKHOLDERS, OUR CUSTOMERS, OUR COMMUNITIES

2020 Financial Highlights

Earnings per share

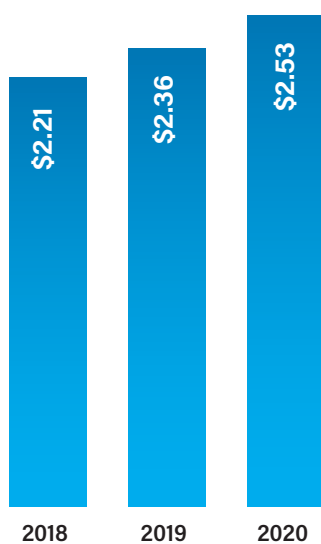


Financial Snapshot

(In millions, except per share data and percentages)

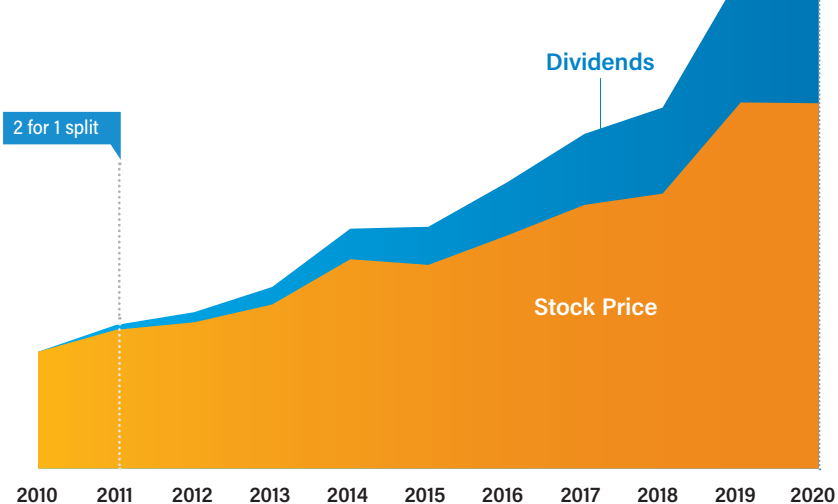
	2020	2019	Change
GAAP earnings	\$1,199.9	\$1,134.0	5.8%
GAAP earnings per share	\$3.79	\$3.58	5.9%
Dividends per share	\$2.53	\$2.36	7.2%
Dividend yield	2.7%	2.6%	
Diluted average shares outstanding	316.5	316.7	
GAAP return on average common equity	11.66%	11.40%	
Book value per share	\$33.19	\$32.06	3.5%
Total assets	\$37,028	\$34,952	5.9%
Market price per share at year-end	\$92.03	\$92.23	-0.2%
Market capitalization at year-end	\$29,029	\$29,093	-0.2%

Dividends per share



Total Shareholder Return

WEC Energy Group consistently delivers among the best total returns in the industry. The illustration demonstrates our stock price appreciation plus the compound effect of dividend growth over the past decade.



A \$100 investment at the end of 2010 has grown to a total value of **\$434**



Gale Klappa
Executive Chairman

Kevin Fletcher
President and
Chief Executive Officer

To our stockholders,

For all of us, it was a year like none other. A year of challenges that tested our ability to adapt. Through it all, we focused on the fundamentals of our business. And we're pleased to report that we turned resilience into results for our stockholders, our customers and our communities.

Our commitment to efficiency and financial discipline — and an encouraging rebound in energy demand during the second half of 2020 — resulted in the highest net income from operations and the highest earnings per share in company history.

As we strived to maintain safe, reliable and responsive service, our customer satisfaction scores rose to the highest levels ever.

In the early days of the pandemic, we also accelerated our support for the communities we serve. In total, our companies and foundations donated more than \$20 million to health care organizations and human service agencies across our service area, including more than \$2 million in direct COVID-19 relief efforts.

We also made significant progress on diversity and inclusion. In 2020, we spent a record \$303 million with minority-, women-, service disabled- and veteran-owned businesses. And, through our board refreshment efforts, 46 percent of our board members are women or minorities.

We set new, aggressive carbon reduction goals as we continue to improve our environmental footprint.

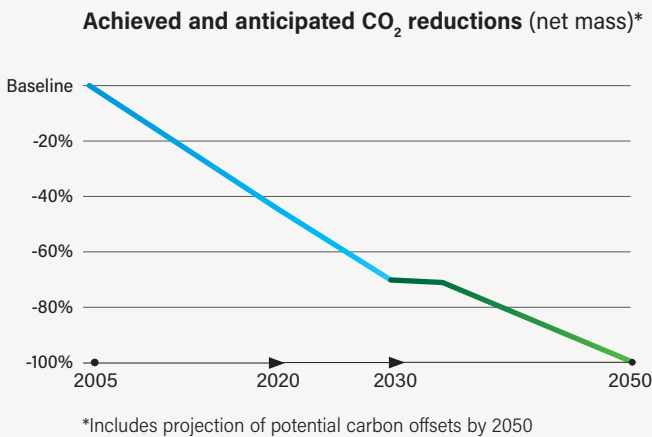
During the year, we achieved a number of other important milestones:

- We invested nearly \$2.2 billion in our core business to maintain reliability and improve customer service.
- Our Wisconsin Public Service subsidiary began commercial operation of Wisconsin's first large-scale solar farm. The Two Creeks Solar Park is capable of providing enough electricity to power more than 33,000 homes.
- We Energies, our largest utility, was named the most reliable in the Midwest for the 10th year in a row.
- The Peoples Gas System Modernization Program — which is critical for reliability, safety and reduction of methane emissions in Chicago — is approximately one-third complete.

In addition, we set new, aggressive carbon reduction goals as we continue to improve our environmental footprint. In fact, we're tracking ahead of schedule.

Preliminary data for 2020 show that we reduced carbon dioxide emissions by 50 percent below 2005 levels. And we have a well-defined plan to achieve a 55 percent reduction by the end of 2025.

Over the longer term, we expect to reduce carbon emissions by 70 percent by 2030. Then, as we look out to the year 2050, the target for our generation fleet is net-zero carbon.



Our new five-year capital plan lays out a road map for achieving these goals. We call it our ESG Progress Plan. The largest five-year plan in our history, it calls for investment in efficiency, sustainability and growth. And it drives an average annual increase in our asset base of 7 percent — with no need for additional equity.

Highlights of the plan include 1,800 megawatts of wind, solar and battery storage that would be added to our regulated asset base in Wisconsin. We also expect to retire 1,800 megawatts of less efficient, fossil-fueled generating units.

Taken together, the retirements and new investments will better balance the company's supply with demand, while maintaining reliable, affordable energy for customers.

And we've allocated \$2.2 billion to our infrastructure segment where we see a robust pipeline of high-quality renewable projects outside of our traditional footprint — projects that have long-term contracts with strong, creditworthy customers.

By the end of 2025, we expect that less than 10 percent of our revenue and our asset base will be tied to coal.

All in all, our plan positions us to deliver among the best risk-adjusted returns the industry has to offer. Importantly, we expect the percentage of our revenue and asset base that is tied to coal will be less than 10 percent at the end of 2025.

Finally, on the environmental front, we're more than halfway toward meeting our goal to reduce the rate of methane emissions from our natural gas distribution lines by 30 percent per mile by 2030.

Investors who have followed the company for many years know that we have an exceptional track record of earnings and dividend growth. As we mentioned earlier in this letter, we believe our strategy for continued growth is clear and compelling. To that end:

- At its January 2021 meeting, our board of directors increased the dividend by 7.1 percent over the previous rate. The new annual dividend is \$2.71 per share.
- This marks the 18th consecutive year that our company will reward shareholders with higher dividends.
- We continue to target a payout ratio of 65 to 70 percent of earnings. We expect our dividend growth will continue to be in line with the growth in our earnings per share.

On behalf of our entire management team, thank you for your confidence, your support and your investment in WEC Energy Group.

Sincerely,

Gale E. Klappa
Executive Chairman

J. Kevin Fletcher
President and
Chief Executive Officer

March 3, 2021

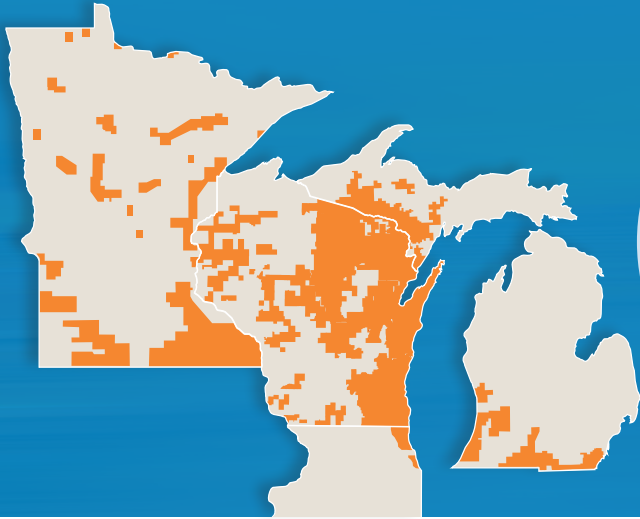
Wisconsin's first large-scale solar farm begins operation

In November, the Two Creeks Solar Park began powering homes and businesses with more than 500,000 solar panels.



An Energy Industry Leader

WEC Energy Group is one of the nation's leading energy companies, with the operational expertise and financial resources to meet the needs of customers across the Midwest.



We provide vital services to **4.6 million** customers in Wisconsin, Illinois, Michigan and Minnesota.

71,000 miles of electric distribution

51,400 miles of natural gas distribution and transmission

7,700 megawatts of power capacity

7,300 employees

At year-end 2020, we held majority ownership interests in five wind farms through our **WEC Infrastructure** subsidiary. These renewable energy assets are capable of providing more than 800 megawatts of carbon-free energy outside of our traditional service area. Agreements for the energy are in place with investment-grade customers.

Nearly **\$2.2 billion** in projected investments between 2021-2025

2020 ANNUAL FINANCIAL STATEMENTS AND REVIEW OF OPERATIONS



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GLOSSARY OF TERMS AND ABBREVIATIONS

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

Subsidiaries and Affiliates

ATC	American Transmission Company LLC
ATC Holdco	ATC Holdco LLC
ATC Holding	ATC Holding LLC
Bishop Hill III	Bishop Hill Energy III LLC
Blooming Grove	Blooming Grove Wind Energy Center LLC
Bluewater	Bluewater Natural Gas Holding, LLC
Bluewater Gas Storage	Bluewater Gas Storage, LLC
Coyote Ridge	Coyote Ridge Wind, LLC
Integrys	Integrys Holding, Inc.
MERC	Minnesota Energy Resources Corporation
MGU	Michigan Gas Utilities Corporation
NSG	North Shore Gas Company
PDL	WPS Power Development, LLC
PELLC	Peoples Energy, LLC
PGL	The Peoples Gas Light and Coke Company
Tatanka Ridge	Tatanka Ridge Wind, LLC
UMERC	Upper Michigan Energy Resources Corporation
Upstream	Upstream Wind Energy LLC
WBS	WEC Business Services LLC
WE	Wisconsin Electric Power Company
We Power	W.E. Power, LLC
WEC Energy Group	WEC Energy Group, Inc.
WECC	Wisconsin Energy Capital Corporation
WECI	WEC Infrastructure LLC
WECI Wind Holding I	WEC Infrastructure Wind Holding I LLC
WG	Wisconsin Gas LLC
Wispark	Wispark LLC
Wisvest	Wisvest LLC
WPS	Wisconsin Public Service Corporation
WRPC	Wisconsin River Power Company

Federal and State Regulatory Agencies

EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
ICC	Illinois Commerce Commission
IDNR	Illinois Department of Natural Resources
IEPA	Illinois Environmental Protection Agency
IRS	United States Internal Revenue Service
MPSC	Michigan Public Service Commission
MPUC	Minnesota Public Utilities Commission
PSCW	Public Service Commission of Wisconsin
SEC	Securities and Exchange Commission
WDNR	Wisconsin Department of Natural Resources

Accounting Terms

AFUDC	Allowance for Funds Used During Construction
ARO	Asset Retirement Obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CWIP	Construction Work in Progress
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
LIFO	Last-In, First-Out
OPEB	Other Postretirement Employee Benefits

Environmental Terms

ACE	Affordable Clean Energy
Act 141	2005 Wisconsin Act 141
BATW	Bottom Ash Transport Water
BSEER	Best System of Emission Reduction
BTA	Best Technology Available
CAA	Clean Air Act
CO ₂	Carbon Dioxide
CPP	Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
ELG	Steam Electric Effluent Limitation Guidelines
FGD	Flue Gas Desulfurization
GHG	Greenhouse Gas
GMZ	Groundwater Management Zone
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NO _x	Nitrogen Oxide
NSPS	New Source Performance Standards
PCB	Polychlorinated Biphenyl
SO ₂	Sulfur Dioxide
VN	Violation Notice

Measurements

Bcf	Billion Cubic Feet
Dth	Dekatherm
MDth	One Thousand Dekatherms
MW	Megawatt
MWh	Megawatt-hour

Other Terms and Abbreviations

2007 Junior Notes	WEC Energy Group, Inc.'s 2007 Junior Subordinated Notes Due 2067
AG	Attorney General
AMI	Advanced Metering Infrastructure
ARR	Auction Revenue Right
Badger Hollow I	Badger Hollow Solar Park I
Badger Hollow II	Badger Hollow Solar Park II
BSGF	Blue Sky Green Field Wind Park
CCWP	Crane Creek Wind Park
CDC	Centers for Disease Control and Prevention
CFR	Code of Federal Regulations
Compensation Committee	Compensation Committee of the Board of Directors
COVID-19	Coronavirus Disease – 2019
D.C. Circuit Court of Appeals	United States Court of Appeals for the District of Columbia Circuit
EGU	Electric Utility Generating Unit
ERGS	Elm Road Generating Station
ER 1	Elm Road Generating Station Unit 1
ER 2	Elm Road Generating Station Unit 2
ERP	Enterprise Resource Planning
ESG Progress Plan	WEC Energy Group's Capital Investment Plan for Efficiency, Sustainability, and Growth for 2021-2025
Exchange Act	Securities Exchange Act of 1934, as amended
FTR	Financial Transmission Right
GCRM	Gas Cost Recovery Mechanism
GUIC	Gas Utility Infrastructure Costs
Holding Company Act	Wisconsin Utility Holding Company Act
ITC	Investment Tax Credit
LIBOR	London Interbank Offered Rate
LMP	Locational Marginal Price
LNG	Liquefied Natural Gas
MISO	Midcontinent Independent System Operator, Inc.

MISO Energy Markets	MISO Energy and Operating Reserves Market
NYMEX	New York Mercantile Exchange
OCPP	Oak Creek Power Plant
OC 5	Oak Creek Power Plant Unit 5
OC 7	Oak Creek Power Plant Unit 7
OC 8	Oak Creek Power Plant Unit 8
Omnibus Stock Incentive Plan	WEC Energy Group Omnibus Stock Incentive Plan, Amended and Restated Effective as of January 1, 2016
PIPP	Presque Isle Power Plant
Point Beach	Point Beach Nuclear Power Plant
PPA	Power Purchase Agreement
PTC	Production Tax Credit
PUHCA 2005	Public Utility Holding Company Act of 2005
PWGS	Port Washington Generating Station
PWGS 1	Port Washington Generating Station Unit 1
PWGS 2	Port Washington Generating Station Unit 2
QIP	Qualifying Infrastructure Plant
RCC	Replacement Capital Covenant (dated May 11, 2007)
REC	Renewable Energy Certificate
ROE	Return on Equity
RTO	Regional Transmission Organization
SMP	Natural Gas System Modernization Program
SOX	Section 404 of the Sarbanes-Oxley Act
SPC	COVID-19 Special Purpose Charge
SSR	System Support Resource
Tax Legislation	Tax Cuts and Jobs Act of 2017
Thunderhead	Thunderhead Wind Energy LLC
Tilden	Tilden Mining Company
Two Creeks	Two Creeks Solar Park
VAPP	Valley Power Plant
VITA	Variable Income Tax Adjustment Rider
WHO	World Health Organization

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" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. 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, dividend payout ratios, effective tax rates, pension and OPEB plans, fuel costs, sources of electric energy supply, coal and natural gas deliveries, remediation costs, climate-related matters, 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 below:

- Factors affecting utility operations such as catastrophic weather-related damage, environmental incidents, unplanned facility outages and repairs and maintenance, and electric transmission or natural gas pipeline system constraints;
- Factors affecting the demand for electricity and natural gas, including political or regulatory developments, unusual weather, changes in economic conditions, customer growth and declines, commodity prices, energy conservation efforts, and continued adoption of distributed generation by customers;
- 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 health pandemics, including the COVID-19 pandemic, on our business functions, financial condition, liquidity, and results of operations;
- The impact of recent and future federal, state, and local legislative and/or regulatory changes, including changes in rate-setting policies or procedures, deregulation and restructuring of the electric and/or natural gas utility industries, transmission or distribution system operation, the approval process for new construction, reliability standards, pipeline integrity and safety standards, allocation of energy assistance, energy efficiency mandates, and tax laws, including the Tax Legislation as well as those that affect our ability to use PTCs and ITCs;
- Federal and state legislative and regulatory changes relating to the environment, including climate change and other environmental regulations impacting generation facilities and renewable energy standards, the enforcement of these laws and regulations, changes in 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 electric and natural gas markets from retail choice and alternative electric suppliers, and continued industry consolidation;
- The timely completion of capital projects within budgets and the ability to recover the related costs through rates;
- Factors affecting the implementation of our CO₂ emission and/or methane emission reduction goals, and opportunities and actions related to those goals, including related regulatory decisions, the cost of materials, supplies, and labor, technology advances, and the feasibility of competing generation projects;
- The financial and operational feasibility of taking more aggressive action to further reduce GHG emissions in order to limit future global temperature increases;
- The risks associated with changing commodity prices, particularly natural gas and electricity, and the availability of sources of natural gas and other fossil fuels, purchased power, materials needed to operate environmental controls at our electric generating facilities, or water supply due to high demand, shortages, transportation problems, nonperformance by electric energy or natural gas suppliers under existing power purchase or natural gas supply contracts, or other developments;
- 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, us, or any of our subsidiaries;
- Changes in the method of determining LIBOR or the replacement of LIBOR with an alternative reference rate;
- Costs and effects of litigation, administrative proceedings, investigations, settlements, claims, and inquiries;
- The direct or indirect effect on our business resulting from terrorist attacks and cyber security 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;

- Restrictions imposed by various financing arrangements and regulatory requirements on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances, that could prevent us from paying our common stock dividends, taxes, and other expenses, and meeting our debt obligations;
- 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 financial performance of ATC and its corresponding contribution to our earnings;
- 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 related to our non-utility renewable energy facilities, including unfavorable weather, the ability to replace expiring long-term PPAs under acceptable terms, and the availability of reliable interconnection and electricity grids;
- The risk associated with the values of goodwill and other intangible assets and their possible impairment;
- Potential business strategies to acquire and dispose of assets or businesses, which cannot be assured to be completed timely or within budgets, and legislative or regulatory restrictions or caps on non-utility acquisitions, investments or projects, including the State of Wisconsin's public utility holding company law;
- The timing and outcome of any audits, disputes, and other proceedings related to taxes;
- The ability to maintain effective internal controls in accordance with SOX, while both continuing to integrate and consolidate our enterprise systems;
- The effect of accounting pronouncements issued periodically by standard-setting bodies; and
- Other considerations disclosed elsewhere herein and in other reports we file 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 OF THE COMPANY

WEC Energy Group, Inc. was incorporated in the state of Wisconsin in 1981 and became a diversified holding company in 1986. We maintain our principal executive offices in Milwaukee, Wisconsin. On June 29, 2015, Wisconsin Energy Corporation acquired 100% of the outstanding common shares of Integrys Energy Group and changed our name to WEC Energy Group, Inc.

In this report, when we refer to "WEC Energy Group," "the Company," "us," "we," "our," or "ours," we are referring to WEC Energy Group, Inc. and all of its subsidiaries. The term "utility" refers to the regulated activities of the electric and natural gas utility companies, while the term "non-utility" refers to the activities of the electric and natural gas companies that are not regulated, as well as We Power and Bluewater. The term "nonregulated" refers to activities at WECl, which holds interests in several wind generating facilities, and our Corporate and Other Segment.

Our wholly owned subsidiaries are primarily engaged in the business of providing regulated electricity service in Wisconsin and Michigan; regulated natural gas service in Wisconsin, Illinois, Michigan, and Minnesota; and nonregulated renewable energy. In addition, we have an approximate 60% equity interest in ATC, an electric transmission company operating primarily in four states. At December 31, 2020, we conducted our operations in the six reportable segments discussed below.

WISCONSIN SEGMENT

The Wisconsin segment includes the electric and natural gas utility operations of WE, WPS, WG, and UMER. At December 31, 2020, these companies served approximately 1,638,900 electric customers and 1,485,600 natural gas customers. This segment also includes steam service to approximately 400 WE steam customers in metropolitan Milwaukee, Wisconsin.

ILLINOIS SEGMENT

The Illinois segment includes the natural gas utility operations of PGL and NSG. The approximately 1,042,100 natural gas customers served by PGL and NSG at December 31, 2020, were located in Chicago and the northern suburbs of Chicago. PGL also owns and operates a 38.8 billion-cubic-foot natural gas storage field in central Illinois.

OTHER STATES SEGMENT

The other states segment includes the natural gas utility operations of MERC and MGU, as well as the non-utility operations of MERC related to servicing appliances for customers. These companies served approximately 425,200 natural gas customers at December 31, 2020, with MERC serving customers in various cities and communities throughout Minnesota, and MGU serving customers in southern and western Michigan.

ELECTRIC TRANSMISSION SEGMENT

The electric transmission segment includes our approximate 60% ownership interest in ATC, a for-profit, electric transmission company regulated by the FERC and certain state regulatory commissions. ATC owns, maintains, monitors, and operates electric transmission systems in Wisconsin, Michigan, Illinois, and Minnesota.

In addition, we own approximately 75% of ATC Holdco, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC's traditional footprint.

NON-UTILITY ENERGY INFRASTRUCTURE SEGMENT

The non-utility energy infrastructure segment includes We Power, Bluewater, and WECl. We Power, through wholly owned subsidiaries, owns and leases certain generating facilities to WE. PWGS 1 and PWGS 2, both natural gas-fired generating units, are being leased to WE under long-term leases that run for 25 years. ER 1 and ER 2, both coal-fired generating units, are being leased to WE under long-term leases that run for 30 years. Bluewater owns natural gas storage facilities in southeast Michigan and provides natural gas storage and hub services for the natural gas operations of WE, WPS, and WG.

At December 31, 2020, our non-utility energy infrastructure segment included WECl's ownership interests in the wind generating facilities reflected in the table below.

Name	Ownership Interest
Upstream	90.0 %
Bishop Hill III	90.0 %
Coyote Ridge	80.0 %
Blooming Grove ⁽¹⁾	90.0 %
Tatanka Ridge ⁽²⁾	85.0 %

⁽¹⁾ WECl completed the acquisition of its 90.0% interest in Blooming Grove on December 8, 2020. This wind generation facility was commercially operational at the time of purchase.

⁽²⁾ Tatanka Ridge achieved commercial operation on January 5, 2021.

Bishop Hill III, Coyote Ridge, Blooming Grove, and Tatanka Ridge have offtake agreements with creditworthy unaffiliated third parties for the sale of all energy they produce. In addition, Upstream's revenue is substantially fixed over a 10-year period through an agreement with a creditworthy unaffiliated third party. Under the Tax Legislation, all of these investments qualify for PTCs. WECl is entitled to the tax benefits of each facility in proportion to its ownership interest, with the exception of Coyote Ridge and Tatanka Ridge. WECl is entitled to 99% of the tax benefits of Coyote Ridge and Tatanka Ridge for the first 11 years of commercial operation, after which WECl will be entitled to tax benefits equal to its ownership interest. WECl recognizes PTCs as power is generated over 10 years.

In August 2019, WECl signed an agreement to acquire an 80% ownership interest in Thunderhead, a 300 MW wind generating facility under construction in Nebraska. In addition, in February 2020, WECl amended this agreement to acquire an additional 10% ownership interest in Thunderhead. The project has an offtake agreement with an unaffiliated third party for all of the energy to be produced by the facility for 12 years. Under the Tax Legislation, WECl's investments in Thunderhead is expected to qualify for PTCs.

See Note 2, Acquisitions, for more information on these wind generating facilities.

CORPORATE AND OTHER SEGMENT

The corporate and other segment includes the operations of the WEC Energy Group holding company, the Integrys holding company, and the PELLCC holding company, as well as the operations of Wispark, WBS, and PDL (prior to the sale of its remaining solar facilities as discussed in more detail in Note 3, Dispositions). This segment also includes Wisvest and WECC, which no longer have significant operations.

Wispark develops and invests in real estate and had \$28.8 million in real estate holdings at December 31, 2020. WBS is a wholly owned centralized service company that provides administrative and general support services to our regulated entities, as well as certain services to our nonregulated entities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CORPORATE DEVELOPMENTS

INTRODUCTION

We are a diversified holding company with natural gas and electric utility operations (serving customers in Wisconsin, Illinois, Michigan, and Minnesota), an approximately 60% equity ownership interest in American Transmission Company LLC (ATC) (a for-profit electric transmission company regulated by the FERC and certain state regulatory commissions), and non-utility energy infrastructure operations through We Power (which owns generation assets in Wisconsin), Bluewater (which owns underground natural gas storage facilities in Michigan), and WEC Infrastructure LLC (WEI), which holds ownership interests in several wind generating facilities.

CORPORATE STRATEGY

Our goal is to continue to build and sustain long-term value for our shareholders and customers by focusing on the fundamentals of our business: environmental stewardship; reliability; operating efficiency; financial discipline; exceptional customer care; and safety. Our 2021-2025 capital investment plan for efficiency, sustainability and growth, referred to as our ESG Progress Plan, provides a roadmap for us to achieve this goal. It is an aggressive plan to cut emissions, maintain superior reliability, deliver significant savings for customers, and grow our investment in the future of energy.

Throughout our strategic planning process, we take into account important developments, risks and opportunities, including new technologies, customer preferences and commodity prices, energy resiliency efforts, and sustainability. We published the results of a priority sustainability issue assessment in 2020, identifying the issues that are most important to our company and its stakeholders over the short and long terms. Our risk and priority assessments have formed our direction as a company.

Creating a Sustainable Future

Our ESG Progress Plan includes the retirement of older, fossil-fueled generation, to be replaced with the construction of zero-carbon-emitting renewable generation and clean natural gas-fired generation. When taken together, the retirements and new investments should better balance our supply with our demand, while maintaining reliable, affordable energy for our customers. The retirements will contribute to meeting our goals to reduce carbon dioxide (CO₂) emissions from our electric generation.

In 2019, we met and surpassed our original goal to reduce CO₂ emissions by 40% below 2005 levels. In July 2020, we announced new goals to reduce CO₂ emissions from our electric generation by 70% below 2005 levels by 2030 and to be net carbon neutral by 2050. We added a near-term goal in November 2020 to reduce CO₂ emissions by 55% below 2005 levels by 2025.

We already have retired more than 1,800 megawatts (MW) of coal-fired generation since the beginning of 2018, which included the 2019 retirement of the Presque Isle power plant as well as the 2018 retirements of the Pleasant Prairie power plant, the Pulliam power plant, and the jointly-owned Edgewater Unit 4 generating units. See Note 6, Regulatory Assets and Liabilities, for more information related to these power plant retirements. As part of our ESG Progress Plan, we expect to retire approximately 1,800 MW of additional fossil-fueled generation by 2025.

In addition to retiring these older, fossil-fueled plants, we expect to invest approximately \$2 billion from 2021-2025 in low-cost renewable energy in Wisconsin. Our plan is to replace a portion of the retired capacity by building and owning a combination of clean, natural gas-fired generation and zero-carbon-emitting renewable generation facilities that are anticipated to include the following new investments:

- 800 MW of utility-scale solar;
- 600 MW of battery storage;
- 100 MW of wind;
- 100 MW of reciprocating internal combustion engine (RICE) natural gas-fueled generation; and
- the planned purchase of 200 MW of capacity in the West Riverside Energy Center – a new, combined-cycle natural gas plant recently completed by Alliant Energy in Wisconsin.

These new investments discussed above are in addition to the renewable projects currently underway.

We have received approval to invest in 300 MW of utility-scale solar within our Wisconsin segment. Wisconsin Public Service Corporation (WPS) has partnered with an unaffiliated utility to construct two solar projects in Wisconsin: Two Creeks Solar Park, now in service, and Badger Hollow Solar Park I, targeted for completion in the second quarter of 2021. WPS owns 100 MW of Two Creeks and will own 100 MW of Badger Hollow I for a total of 200 MW. Wisconsin Electric Power Company (WE) has partnered with an unaffiliated utility to construct Badger Hollow Solar Park II that is expected to enter commercial operation in December 2022. Once constructed, WE will own 100 MW of this project.

In December 2018, WE received approval from the Public Service Commission of Wisconsin (PSCW) for two renewable energy pilot programs. The Solar Now pilot is expected to add 35 MW of solar generation to WE's portfolio, allowing non-profit and governmental entities, as well as commercial and industrial customers to site utility owned solar arrays on their property. Under this program, WE has energized 13 Solar Now projects and currently has another five under construction, together totaling more than 15 MW. The second program, the Dedicated Renewable Energy Resource pilot, would allow large commercial and industrial customers to access renewable resources that WE would operate, adding up to 150 MW of renewables to WE's portfolio, and helping these larger customers meet their sustainability and renewable energy goals.

We also have a goal to decrease the rate of methane emissions from the natural gas distribution lines in our networks by 30% per mile by the year 2030 from a 2011 baseline. We were over halfway toward meeting that goal at the end of 2019.

Reliability

We have made significant reliability-related investments in recent years, and in accordance with our ESG Progress Plan, expect to continue strengthening and modernizing our generation fleet and distribution networks to further improve reliability. Our investments, coupled with our commitment to operating efficiency and customer care, resulted in We Energies being recognized in 2020 by PA Consulting Group, an independent consulting firm, for superior reliability of its electric delivery network. This was the 10th consecutive year that We Energies has been named the most reliable utility in the Midwest.

Below are a few examples of reliability projects that are proposed or currently underway.

- WE is constructing approximately 46 miles of natural gas transmission main to increase the quantity and reliability of natural gas service in southeastern Wisconsin. This project, called the Lakeshore Lateral Project, is expected to be completed by the end of 2021.
- WE and Wisconsin Gas LLC (WG) each plan to construct their own liquefied natural gas (LNG) facility to meet anticipated peak demand. Subject to PSCW approval, commercial operation of the LNG facilities is targeted for the end of 2023.
- The Peoples Gas Light and Coke Company continues to work on its Natural Gas System Modernization Program, which primarily involves replacing 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.
- WPS continues work on its System Modernization and Reliability Project, which involves modernizing parts of its electric distribution system, including burying or upgrading lines. WE, WPS, and WG also continue to upgrade their electric and natural gas distribution systems to enhance reliability.

For more details, see Liquidity and Capital Resources – Capital Resources and Requirements – Capital Requirements – Significant Capital Projects.

Operating Efficiency

We continually look for ways to optimize the operating efficiency of our company and will continue to do so under the ESG Progress Plan. For example, we are making progress on our Advanced Metering Infrastructure program, replacing aging meter-reading equipment on both our network and customer property. An integrated system of smart meters, communication networks, and data management programs enables two-way communication between our utilities and our customers. This program reduces the manual effort for disconnects and reconnects and enhances outage management capabilities.

We continue to focus on integrating the resources of all our businesses and finding the best and most efficient processes while meeting all applicable legal and regulatory requirements.

Financial Discipline

A strong adherence to financial discipline is essential to meeting our earnings projections and maintaining a strong balance sheet, stable cash flows, a growing dividend, and quality credit ratings.

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, equipment, and entire business units, that are no longer strategic to operations, are not performing as intended, or have an unacceptable risk profile. See Note 3, Dispositions, for information on the sale of certain WPS Power Development, LLC solar power generation facilities.

Our investment focus remains in our regulated utility and non-utility energy infrastructure businesses, as well as our investment in ATC. In our non-utility energy infrastructure segment, we have acquired or agreed to acquire majority interests in six wind parks, capable of providing more than 1,000 MW of carbon-free energy in total. These renewable energy assets represent more than \$1.6 billion in committed investments and have long-term agreements to serve customers outside our traditional service areas. Production tax credits from these wind investments reduce our cash tax expense. We also project that these investments will generate higher returns than our regulated business. See Note 2, Acquisitions, for additional information on these transactions.

We expect total capital expenditures for our regulated utility and non-utility energy infrastructure businesses to be approximately \$15.0 billion from 2021 to 2025. In addition, we currently forecast that our share of ATC's projected capital expenditures over the next five years will be \$1.1 billion. Specific projects included in the \$16.1 billion ESG Progress Plan are discussed in more detail below under Liquidity and Capital Resources.

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 our companies. We have moved all utilities 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

Across the organization, we monitor the integrity of our networks and conduct comprehensive incident response planning to enhance the safety of our operations.

Under our "Target Zero" mission, we have an ultimate goal of zero incidents, accidents, and injuries. We also set goals around injury-prevention activities that raise awareness and facilitate conversations about employee safety. 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

CONSOLIDATED EARNINGS

The following table compares our consolidated results, including favorable or better, "B", and unfavorable or worse, "W", variances:

<i>(in millions, except per share data)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Wisconsin	\$ 690.4	\$ 649.9	\$ 617.0	\$ 40.5	\$ 32.9
Illinois	203.5	170.3	147.1	33.2	23.2
Other states	39.0	43.2	44.1	(4.2)	(0.9)
Electric transmission	112.6	87.4	82.8	25.2	4.6
Non-utility energy infrastructure	260.8	246.0	228.4	14.8	17.6
Corporate and other	(106.4)	(62.8)	(60.1)	(43.6)	(2.7)
Net income attributed to common shareholders	\$ 1,199.9	\$ 1,134.0	\$ 1,059.3	\$ 65.9	\$ 74.7
Diluted earnings per share	\$ 3.79	\$ 3.58	\$ 3.34	\$ 0.21	\$ 0.24

2020 Compared with 2019

Earnings increased \$65.9 million during 2020, compared with 2019. The significant factors impacting the \$65.9 million increase in earnings were:

- A \$40.5 million increase in net income attributed to common shareholders at the Wisconsin segment. The increase was driven by the impact of the Wisconsin rate orders approved by the PSCW, effective January 1, 2020, lower operation and maintenance expense, and a positive impact from collections of fuel and purchased power costs. Lower electric and natural gas distribution expenses, a decrease in expense related to the earnings sharing mechanisms in place at our Wisconsin utilities, and lower benefit costs all contributed to the lower operation and maintenance expense. These positive impacts were partially offset by higher depreciation and amortization and the impact of lower retail sales volumes. The lower sales volumes were driven by impacts from the COVID-19 pandemic and warmer winter weather during 2020.
- A \$33.2 million increase in net income attributed to common shareholders at the Illinois segment, driven by lower operation and maintenance expense and PGL's continued capital investment in the SMP project under its QIP rider. Lower natural gas distribution maintenance costs, lower customer service expenses, and lower benefit costs drove the decrease in operation and maintenance expense during 2020.
- A \$25.2 million increase in net income attributed to common shareholders at our electric transmission segment, driven by higher equity earnings from transmission affiliates. The higher equity earnings were primarily due to the impacts of FERC orders issued in November 2019 and May 2020 addressing complaints related to ATC's ROE. For further discussion of the FERC orders, see Factors Affecting Results, Liquidity, and Capital Resources – Other Matters – American Transmission Company Allowed Return on Equity Complaints. Continued capital investment by ATC also contributed to the higher equity earnings from transmission affiliates.
- A \$14.8 million increase in net income attributed to common shareholders at the non-utility energy infrastructure segment, primarily due to lower income tax expense in 2020 driven by wind PTCs generated by our Coyote Ridge wind park that achieved commercial operation in December 2019. See Note 2, Acquisitions, and Note 16, Income Taxes, for more information.

Partially offsetting these increases in earnings was a \$43.6 million increase in the net loss attributed to common shareholders at the corporate and other segment, driven by make-whole premiums related to the early extinguishment of debt during 2020. A higher net operating loss at Wispark, lower net gains from the investments held in the rabbi trust, and a change in unrecognized tax benefits also contributed to the increase in the net loss. These negative impacts were partially offset by lower interest expense. The gains from the investments held in the rabbi trust partially offset benefits costs related to deferred compensation, which are included in our operating segments. See Note 17, Fair Value Measurements, for more information on our investments held in the Integrys rabbi trust.

2019 Compared with 2018

Earnings increased \$74.7 million during 2019, compared with 2018. The significant factors impacting the \$74.7 million increase in earnings were:

- A \$32.9 million increase in net income attributed to common shareholders at the Wisconsin segment. The increase was driven by lower operation and maintenance expense related to our power plants, which primarily resulted from lower maintenance and labor costs associated with our 2019 and 2018 plant retirements and increases to certain plant-related regulatory assets resulting from decisions included in the December 2019 Wisconsin rate orders. The positive impact from lower operation and maintenance expense was partially offset by a decrease in electric margins related to lower retail sales volumes, primarily driven by cooler summer weather during 2019 compared with 2018, and higher depreciation and amortization expense, driven by assets being placed into service as we continue to execute on our capital plan.
- A \$23.2 million increase in net income attributed to common shareholders at the Illinois segment, driven by PGL's continued capital investment in the SMP project under its QIP rider.
- A \$17.6 million increase in net income attributed to common shareholders at the non-utility energy infrastructure segment, driven by an increase in wind PTCs recognized on the three wind parks acquired in 2018 and 2019.
- A \$4.6 million increase in net income attributed to common shareholders at our electric transmission segment, driven by lower income tax expense. The decrease in income tax expense was driven by a tax basis adjustment related to the remeasurement of deferred income taxes in 2018 and a change in the tax rates at the segment level resulting from the transfer of ownership in the ATC investment between our subsidiaries. The decrease in income tax expense related to the change in tax rates was offset in the corporate and other segment and, as a result, had no effect on consolidated net income. The positive impact from lower income taxes was partially offset by higher interest expense in 2019, due to debt issuances at ATC Holding in September 2019 and December 2018, and lower equity earnings from our investment in ATC as a result of a FERC order issued in November 2019 that addressed complaints related to ATC's allowed ROE.

Partially offsetting these increases in earnings was a \$2.7 million increase in the net loss attributed to common shareholders at the corporate and other segment. The increase in the net loss was driven by higher interest expense in 2019, primarily related to continued capital investments across our segments, and higher net operating losses, primarily at WBS, our centralized services company. WBS transferred assets to our regulated utilities in 2018, and as a result of these transfers, the return on these assets is now recognized within our regulated utility operations. These negative impacts were substantially offset by net gains from investments held in the Integrys rabbi trust during 2019, compared with net losses during 2018.

Non-GAAP Financial Measures

The discussions below address the contribution of each of our segments to net income attributed to common shareholders. The discussions include financial information prepared in accordance with GAAP, as well as electric margins and natural gas margins, which are not measures of financial performance under GAAP. Electric margin (electric revenues less fuel and purchased power costs) and natural gas margin (natural gas revenues less cost of natural gas sold) are non-GAAP financial measures because they exclude other operation and maintenance expense, depreciation and amortization, and property and revenue taxes.

We believe that electric and natural gas margins provide a useful basis for evaluating utility operations since the majority of prudently incurred fuel and purchased power costs, as well as prudently incurred natural gas costs, are passed through to customers in current rates. As a result, management uses electric and natural gas margins internally when assessing the operating performance of our segments as these measures exclude the majority of revenue fluctuations caused by changes in these expenses. Similarly, the presentation of electric and natural gas margins herein is intended to provide supplemental information for investors regarding our operating performance.

Our electric margins and natural gas margins may not be comparable to similar measures presented by other companies. Furthermore, these measures are not intended to replace operating income as determined in accordance with GAAP as an indicator of operating performance. Each applicable segment discussion below includes a table that provides the calculation of electric margins and natural gas margins, as applicable, along with a reconciliation to the most directly comparable GAAP measure, operating income.

WISCONSIN SEGMENT CONTRIBUTION TO NET INCOME ATTRIBUTED TO COMMON SHAREHOLDERS

The Wisconsin segment's contribution to net income attributed to common shareholders for the year ended December 31, 2020 was \$690.4 million, representing a \$40.5 million, or 6.2%, increase over the prior year. The increase was driven by the impact of the Wisconsin rate orders approved by the PSCW, effective January 1, 2020, lower operation and maintenance expense, and a positive impact from collections of fuel and purchased power costs. Lower electric and natural gas distribution expenses, a decrease in expense related to the earnings sharing mechanisms in place at our Wisconsin utilities, and lower benefit costs all contributed to the lower operation and maintenance expense. These increases were partially offset by higher depreciation and amortization and the impact of lower retail sales volumes. The lower sales volumes were driven by impacts from the COVID-19 pandemic and warmer winter weather during 2020.

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Electric revenues	\$ 4,274.0	\$ 4,317.6	\$ 4,438.9	\$ (43.6)	\$ (121.3)
Fuel and purchased power	1,238.1	1,341.9	1,418.1	103.8	76.2
Total electric margins	3,035.9	2,975.7	3,020.8	60.2	(45.1)
Natural gas revenues	1,199.5	1,329.5	1,355.8	(130.0)	(26.3)
Cost of natural gas sold	595.2	748.0	792.1	152.8	44.1
Total natural gas margins	604.3	581.5	563.7	22.8	17.8
Total electric and natural gas margins	3,640.2	3,557.2	3,584.5	83.0	(27.3)
Other operation and maintenance	1,476.7	1,591.3	2,076.1	114.6	484.8
Depreciation and amortization	674.5	617.0	546.6	(57.5)	(70.4)
Property and revenue taxes	156.2	159.3	161.6	3.1	2.3
Operating income	1,332.8	1,189.6	800.2	143.2	389.4
Other income, net	52.8	68.7	65.4	(15.9)	3.3
Interest expense	561.3	572.0	200.7	10.7	(371.3)
Income before income taxes	824.3	686.3	664.9	138.0	21.4
Income tax expense	132.7	35.2	46.7	(97.5)	11.5
Preferred stock dividends of subsidiary	1.2	1.2	1.2	—	—
Net income attributed to common shareholders	\$ 690.4	\$ 649.9	\$ 617.0	\$ 40.5	\$ 32.9

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

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Operation and maintenance not included in line items below	\$ 673.5	\$ 670.7	\$ 769.5	\$ (2.8)	\$ 98.8
Transmission ⁽¹⁾	518.0	418.1	420.7	(99.9)	2.6
Regulatory amortizations and other pass through expenses ⁽²⁾	138.6	160.6	159.1	22.0	(1.5)
We Power ⁽³⁾	119.3	140.9	506.9	21.6	366.0
Transmission expense related to the flow through of tax repairs ⁽⁴⁾	—	67.2	77.8	67.2	10.6
Transmission expense related to Tax Legislation ⁽⁵⁾	—	65.3	67.7	65.3	2.4
Earnings sharing mechanisms ⁽⁶⁾	21.6	61.5	67.5	39.9	6.0
Other	5.7	7.0	6.9	1.3	(0.1)
Total other operation and maintenance	\$ 1,476.7	\$ 1,591.3	\$ 2,076.1	\$ 114.6	\$ 484.8

⁽¹⁾ Represents transmission expense that we are authorized to collect in rates, in accordance with the PSCW's approval of escrow accounting for ATC and MISO network transmission expenses for our Wisconsin electric utilities. As a result, WE and WPS defer as a regulatory asset or liability, the difference between actual transmission costs and those included in rates until recovery or refund is authorized in a future rate proceeding. During 2020, 2019, and 2018, \$481.8 million, \$486.7 million, and \$438.2 million, respectively, of costs were billed to our electric utilities by transmission providers.

⁽²⁾ Regulatory amortizations and other pass through expenses are substantially offset in margins and therefore do not have a significant impact on net income.

⁽³⁾ Represents costs associated with the We Power generation units, including operating and maintenance costs recognized by WE. During 2018, the amount also included the lease payments that were billed from We Power to WE and then recovered in WE's rates. We adopted ASU 2016-02, Leases (Topic 842), effective January 1, 2019, which revised the previous guidance regarding the accounting for leases. As a result of this adoption, starting in 2019, lease expense related to the We Power leases with WE was no longer classified within other operation and maintenance, but was

instead recorded as depreciation and amortization and interest expense, in accordance with Topic 842. The We Power leases do not impact our financial statements as all amounts associated with the leases are eliminated at the consolidated level.

During 2020, 2019, and 2018, \$115.1 million, \$134.8 million, and \$485.3 million, respectively, of costs were billed to or incurred by WE related to the We Power generation units, with the difference in costs billed or incurred and expenses recognized, either deferred or deducted from the regulatory asset.

- (4) Represents additional transmission expense recorded in 2019 and 2018 associated with WE's flow through of tax benefits of its repair-related deferred tax liabilities starting in 2018 in accordance with a settlement agreement with the PSCW, to maintain certain regulatory asset balances at their December 31, 2017 levels. This decrease in expenses was offset in income taxes. Since WE's transmission regulatory asset was eliminated at December 31, 2019, there were no tax benefits used in 2020.
- (5) Represents additional transmission expense recorded in 2019 and 2018 associated with the May 2018 PSCW order requiring WE to use 80% of its current 2018 tax benefit, including the amortization associated with the revaluation of deferred taxes, to reduce its transmission regulatory asset balance. Since WE's transmission regulatory asset was eliminated at December 31, 2019, there were no tax benefits used in 2020.
- (6) See Note 26, Regulatory Environment, for more information about our earnings sharing mechanisms.

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

Electric Sales Volumes	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	MWh (in thousands)				
	2020	2019	2018	B (W)	B (W)
Customer class					
Residential	11,523.8	10,918.6	11,195.0	605.2	(276.4)
Small commercial and industrial ⁽¹⁾	12,250.0	12,861.0	13,186.7	(611.0)	(325.7)
Large commercial and industrial ⁽¹⁾	11,661.8	12,601.6	12,946.5	(939.8)	(344.9)
Other	158.7	164.8	169.0	(6.1)	(4.2)
Total retail ⁽¹⁾	35,594.3	36,546.0	37,497.2	(951.7)	(951.2)
Wholesale	3,088.4	3,314.3	3,612.7	(225.9)	(298.4)
Resale	6,189.9	6,006.0	6,019.3	183.9	(13.3)
Total sales in MWh ⁽¹⁾	44,872.6	45,866.3	47,129.2	(993.7)	(1,262.9)

⁽¹⁾ Includes distribution sales for customers who have purchased power from an alternative electric supplier in Michigan.

Natural Gas Sales Volumes	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	Therms (in millions)				
	2020	2019	2018	B (W)	B (W)
Customer class					
Residential	1,090.8	1,195.6	1,131.1	(104.8)	64.5
Commercial and industrial	656.7	740.9	733.1	(84.2)	7.8
Total retail	1,747.5	1,936.5	1,864.2	(189.0)	72.3
Transport	1,357.7	1,426.1	1,411.5	(68.4)	14.6
Total sales in therms	3,105.2	3,362.6	3,275.7	(257.4)	86.9

Weather	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	Degree Days				
	2020	2019	2018	B (W)	B (W)
WE and WG ⁽¹⁾					
Heating (6,618 normal)	6,092	6,835	6,685	(10.9)%	2.2 %
Cooling (737 normal)	938	727	929	29.0 %	(21.7)%
WPS ⁽²⁾					
Heating (7,450 normal)	7,139	7,723	7,554	(7.6)%	2.2 %
Cooling (515 normal)	660	504	678	31.0 %	(25.7)%
UMERC ⁽³⁾					
Heating (8,464 normal)	8,189	8,971	8,611	(8.7)%	4.2 %
Cooling (330 normal)	425	284	478	49.6 %	(40.6)%

⁽¹⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from Mitchell International Airport in Milwaukee, Wisconsin.

⁽²⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from the Green Bay, Wisconsin weather station.

⁽³⁾ Normal degree days are based on a 20-year moving average of monthly temperatures from the Iron Mountain, Michigan weather station.

2020 Compared with 2019

Electric Utility Margins

Electric utility margins at the Wisconsin segment increased \$60.2 million during 2020, compared with 2019. The significant factors impacting the higher electric utility margins were:

- A \$101.8 million increase in margins associated with the 2019 negative impact of WE's flow through of tax benefits of its repair-related deferred tax liabilities, in accordance with a settlement agreement with the PSCW to maintain certain regulatory assets at their December 31, 2017 levels. These tax benefits were no longer in effect for 2020. This increase in margins was offset in income taxes. See Note 26, Regulatory Environment, for more information.
- An \$8.2 million year-over-year positive impact from collections of fuel and purchased power costs compared with costs approved in rates. Under the Wisconsin fuel rules, the margins of our electric utilities are impacted by under- or over-collections of certain fuel and purchased power costs that are within a 2% price variance from the costs included in rates, and the remaining variance beyond the 2% price variance is deferred for future recovery or refund to customers.

These increases in margins were partially offset by:

- A \$26.5 million decrease in margins from other revenues, primarily related to lower revenues from third party use of our assets.
- A \$9.9 million net decrease in margins related to lower sales volumes, including the impact of weather. We recognized a \$24.7 million net reduction in margins related to lower retail sales volumes driven by the COVID-19 pandemic. Sales volumes for our commercial and industrial customers decreased, primarily related to business interruptions and closings, while residential sales volumes increased. These changes in volumes were both driven, in large part, by a shelter-in-place order for the state of Wisconsin, which was in effect from March 25, 2020 through April 24, 2020, as well as the continued impacts of the COVID-19 pandemic. This net decrease in margins was partially offset by a \$14.8 million increase in margins related to warmer summer weather. As measured by cooling degree days, 2020 was 29.0% and 31.0% warmer than 2019 in the Milwaukee and Green Bay areas, respectively.
- A \$5.6 million net decrease in margins related to the impact of the Wisconsin rate orders approved by the PSCW, effective January 1, 2020. This decrease in margins includes a \$73.9 million negative impact related to unprotected excess deferred taxes, which we agreed to return to customers and is offset in income taxes.

Natural Gas Utility Margins

Natural gas utility margins at the Wisconsin segment increased \$22.8 million during 2020, compared with 2019. The most significant factor impacting the higher natural gas utility margins was a \$53.6 million increase related to the impact of the Wisconsin rate orders approved by the PSCW, effective January 1, 2020. This increase in margins includes a \$3.1 million negative impact related to unprotected excess deferred taxes, which we agreed to return to customers and is offset in income taxes.

This increase in margins was partially offset by a \$35.9 million reduction in margins related to lower sales volumes, driven primarily by warmer winter weather during 2020. As measured by heating degree days, 2020 was 10.9% and 7.6% warmer than 2019 in the Milwaukee and Green Bay areas, respectively. In addition to the weather impact, the decrease in sales volumes for our commercial and industrial customers was also driven by business interruptions and closings related to, in large part, the shelter-in-place order issued by the state of Wisconsin, as well as the continued impacts of the COVID-19 pandemic.

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

Other operating expenses at the Wisconsin segment decreased \$60.2 million during 2020, compared with 2019. The significant factors impacting the decrease in operating expenses were:

- A \$67.2 million decrease in transmission expense related to the flow through of tax repairs during 2019, as discussed in the notes under the other operation and maintenance table above. This decrease in transmission expense was offset in income taxes.
- A \$65.3 million decrease in transmission expense associated with the May 2018 order from the PSCW related to our required treatment of the tax benefits associated with the Tax Legislation, as discussed in the notes under the other operation and maintenance table above. This decrease in transmission expense was offset by a corresponding decrease in margins.
- A \$43.2 million decrease in electric and natural gas distribution expenses, driven by lower maintenance and storm restoration expense, as well as our focus on operating efficiency.
- A \$39.9 million decrease in expense related to the earnings sharing mechanisms in place at our Wisconsin utilities. See Note 26, Regulatory Environment, for more information.

- A \$25.6 million decrease in benefit costs, primarily due to lower deferred compensation costs, stock-based compensation, and medical costs.
- A \$22.0 million decrease in regulatory amortizations and other pass through expenses, as discussed in the notes under the other operation and maintenance table above.
- A \$21.6 million decrease in other operation and maintenance expense related to the We Power leases, as discussed in the notes under the other operation and maintenance table above.

These decreases in operating expenses were partially offset by:

- A \$99.9 million increase in transmission expense as approved in the PSCW's 2019 rate orders, which were effective January 1, 2020. See the notes under the other operation and maintenance table above for more information.
- A \$57.5 million increase in depreciation and amortization, driven by assets being placed into service as we continue to execute on our capital plan as well as an increase related to the We Power leases.
- A \$46.0 million net increase in other operation and maintenance expense related to our power plants, driven by changes to certain plant-related regulatory assets resulting from decisions included in the December 2019 Wisconsin rate orders. See Note 26, Regulatory Environment, for more information on the Wisconsin rate orders. These increases were partially offset by a decrease in other operation and maintenance expense at our plants, driven by the retirement of PIPP in March 2019 and reduced operation of the OCPP.
- Costs incurred of \$12.5 million related to facility damage resulting from a significant rain event in May 2020. See Note 7, Property, Plant, and Equipment, for more information on the significant rain event.

Other Income, Net

Other income, net at the Wisconsin segment decreased \$15.9 million during 2020, compared with 2019. The decrease was primarily driven by the impact from the 2019 deferral of costs that were offset in other income statement line items and had no impact on net income attributed to common shareholders. Partially offsetting this decrease was higher AFUDC–Equity due to continued capital investment.

Interest Expense

Interest expense at the Wisconsin segment decreased \$10.7 million during 2020, compared with 2019, primarily due to lower interest rates on short-term debt and lower interest expense on finance lease liabilities. This decrease was partially offset by long-term debt issuances of \$750.0 million during the second half of 2019.

Income Tax Expense

Income tax expense at the Wisconsin segment increased \$97.5 million during 2020, compared with 2019. The increase was primarily due to the \$169.0 million benefit from the flow through of tax repairs during 2019 in connection with the 2017 Wisconsin rate settlement and an increase in pretax income. Partially offsetting these increases was a \$77.0 million positive impact related to the 2020 amortization of the unprotected excess deferred tax benefits from the Tax Legislation in connection with the Wisconsin rate orders approved by the PSCW, effective January 1, 2020. The impacts due to the benefit from the flow through of tax repairs and the amortization of the unprotected excess deferred tax benefits from the Tax Legislation did not impact earnings as they were offset in operating income. See Note 16, Income Taxes, and Note 26, Regulatory Environment, for more information.

2019 Compared with 2018

Electric Utility Margins

Electric utility margins at the Wisconsin segment decreased \$45.1 million during 2019, compared with 2018. The significant factors impacting the lower electric utility margins were:

- A \$54.1 million decrease related to lower sales volumes, primarily driven by cooler summer weather during 2019 compared with 2018. As measured by cooling degree days, 2019 was 21.7% and 25.7% cooler than 2018 in the Milwaukee and Green Bay areas, respectively.
- A \$13.7 million decrease in margins associated with WE's flow through of tax benefits of its repair-related deferred tax liabilities starting in 2018 in accordance with a settlement agreement with the PSCW to maintain certain regulatory assets at their December 31, 2017 levels. This decrease in margins was offset in income taxes. See Note 26, Regulatory Environment, for more information.
- A \$6.8 million decrease in margins related to savings from the Tax Legislation that we are required to return to customers through bill credits or reductions in other regulatory assets. This decrease in margins did not impact net income as it was offset by the net impact of a \$22.0 million decrease in income taxes and a \$15.2 million increase in depreciation and amortization expense. We received the PSCW order in May 2018, which required WPS to use 40% of its 2018 and 2019 tax

benefits associated with the Tax Legislation to reduce certain regulatory assets. See Note 16, Income Taxes, and Note 26, Regulatory Environment, for more information.

These decreases in margins were partially offset by:

- A \$16.3 million increase in margins related to the iron ore mine located in the Upper Peninsula of Michigan. Prior to the transfer of the mine as a full requirements customer of WE to UMERC as of April 1, 2019, the margin from the mine was being deferred for the benefit of Wisconsin retail electric customers, as ordered by the PSCW. On March 31, 2019 when the new natural gas-fired generation in the Upper Peninsula began commercial operation, a new 20 year agreement with Tilden became effective under which Tilden began purchasing electric power from UMERC. Half of the cost of the natural gas-fired generation is being recovered from Tilden under this agreement.
- A \$5.3 million increase in margins related to a net decrease in fuel and purchased power costs driven by the commercial operation of UMERC's new natural gas-fired generation in the Upper Peninsula of Michigan on March 31, 2019. UMERC previously met its market obligations through PPAs.

Natural Gas Utility Margins

Natural gas utility margins at the Wisconsin segment increased \$17.8 million during 2019, compared with 2018. The most significant factor impacting the higher natural gas utility margins was higher sales volumes, due in part to colder winter weather, customer growth, and higher use per residential customer during 2019, compared with 2018. As measured by heating degree days, 2019 was 2.2% colder than 2018 in the Milwaukee and Green Bay areas.

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

Other operating expenses at the Wisconsin segment decreased \$416.7 million during 2019, compared with 2018. The Wisconsin segment experienced lower overall operating expenses related to efficiencies and effective cost control. The other significant factors impacting the decrease in operating expenses during 2019, compared with 2018, were:

- A \$363.3 million decrease in other operation and maintenance expense related to the We Power leases, as discussed in the notes under the other operation and maintenance table above.
- A \$107.6 million decrease in other operation and maintenance expense related to our power plants, driven by lower maintenance and labor costs associated with our 2019 and 2018 plant retirements, and increases to certain plant-related regulatory assets resulting from decisions included in the December 2019 Wisconsin rate orders. Plant retirements included the March 2019 retirement of the PIPP as well as the 2018 retirements of the Pleasant Prairie power plant, Edgewater Unit 4, and Pulliam Units 7 and 8. See Note 7, Property, Plant, and Equipment, for more information on the plant retirements. See Note 26, Regulatory Environment, for more information on the Wisconsin rate orders.
- A \$10.6 million decrease in transmission expense related to the flow through of tax repairs during 2019, as discussed in the notes under the other operation and maintenance table above. This decrease in transmission expense was offset in income taxes.
- A \$6.0 million decrease in expense related to the earnings sharing mechanisms in place at our Wisconsin utilities. See Note 26, Regulatory Environment, for more information.

These decreases in operating expenses were partially offset by:

- A \$70.4 million increase in depreciation and amortization, driven by assets being placed into service as we continue to execute on our capital plan as well as an increase related to the We Power leases.
- A \$16.4 million increase in storm restoration expense during 2019.
- A \$16.3 million net increase in benefit costs, primarily related to higher deferred compensation costs during 2019.

Other Income, Net

Other income, net at the Wisconsin segment increased \$3.3 million during 2019, compared with 2018, driven by higher net credits from the non-service components of our net periodic pension and OPEB costs. See Note 20, Employee Benefits, for more information on our benefit costs.

Interest Expense

Interest expense at the Wisconsin segment increased \$371.3 million during 2019, compared with 2018, primarily due to the adoption of ASU 2016-02, Leases (Topic 842). Effective January 1, 2019, minimum lease payments were no longer classified within cost of sales or other operation and maintenance, but were instead recorded as a component of depreciation and amortization and interest expense in accordance with Topic 842. As a result of the adoption, for the year ended December 31, 2019, \$350.9 million of minimum lease payments were recorded as interest expense on finance lease liabilities. The remaining increase was driven by long-term debt issuances of \$700.0 million during the fourth quarter of 2018 and \$750.0 million during the second half of 2019.

Income Tax Expense

Income tax expense at the Wisconsin segment decreased \$11.5 million during 2019, compared with 2018. The decrease was driven by a \$22.0 million positive impact from the 2018 PSCW order addressing the benefits associated with the Tax Legislation and a \$3.1 million increase in the benefit from the flow through of tax repairs in connection with the 2017 Wisconsin rate settlement. These items did not impact earnings as they were offset in operating income. Partially offsetting these decreases to income tax expense was an increase in pretax income.

ILLINOIS SEGMENT CONTRIBUTION TO NET INCOME ATTRIBUTED TO COMMON SHAREHOLDERS

The Illinois segment's contribution to net income attributed to common shareholders for the year ended December 31, 2020 was \$203.5 million, representing a \$33.2 million, or 19.5%, increase over the prior year. The increase was driven by lower operation and maintenance expense and PGL's continued capital investment in the SMP project under its QIP rider. Lower natural gas distribution maintenance costs, lower customer service expenses, and lower benefit costs drove the decrease in operation and maintenance expense during 2020.

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

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Natural gas revenues	\$ 1,321.9	\$ 1,357.1	\$ 1,400.0	\$ (35.2)	\$ (42.9)
Cost of natural gas sold	330.9	401.4	480.5	70.5	79.1
Total natural gas margins	991.0	955.7	919.5	35.3	36.2
Other operation and maintenance	435.4	461.1	472.3	25.7	11.2
Depreciation and amortization	196.7	181.3	170.3	(15.4)	(11.0)
Property and revenue taxes	28.1	21.4	21.1	(6.7)	(0.3)
Operating income	330.8	291.9	255.8	38.9	36.1
Other income (expense), net	2.3	(2.4)	(5.7)	4.7	3.3
Interest expense	63.5	59.0	51.2	(4.5)	(7.8)
Income before income taxes	269.6	230.5	198.9	39.1	31.6
Income tax expense	66.1	60.2	51.8	(5.9)	(8.4)
Net income attributed to common shareholders	\$ 203.5	\$ 170.3	\$ 147.1	\$ 33.2	\$ 23.2

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

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Operation and maintenance not included in the line items below	\$ 332.1	\$ 362.2	\$ 372.9	\$ 30.1	\$ 10.7
Riders ⁽¹⁾	101.4	97.5	95.3	(3.9)	(2.2)
Regulatory amortizations ⁽¹⁾	(2.6)	(1.5)	(1.4)	1.1	0.1
Other	4.5	2.9	5.5	(1.6)	2.6
Total other operation and maintenance	\$ 435.4	\$ 461.1	\$ 472.3	\$ 25.7	\$ 11.2

⁽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:

Natural Gas Sales Volumes	Year Ended December 31			2020 vs. 2019 B (W)	2019 vs. 2018 B (W)
	Therms (in millions)				
	2020	2019	2018		
Customer Class					
Residential	832.6	904.8	896.2	(72.2)	8.6
Commercial and industrial	326.1	368.6	358.3	(42.5)	10.3
Total retail	1,158.7	1,273.4	1,254.5	(114.7)	18.9
Transport	785.7	896.6	905.1	(110.9)	(8.5)
Total sales in therms	1,944.4	2,170.0	2,159.6	(225.6)	10.4

Weather ⁽¹⁾	Year Ended December 31			2020 vs. 2019 B (W)	2019 vs. 2018 B (W)
	Degree Days				
	2020	2019	2018		
Heating (6,195 normal)	5,597	6,479	6,327	(13.6)%	2.4 %

⁽¹⁾ Normal heating degree days are based on a 12-year moving average of monthly temperatures from Chicago's O'Hare Airport.

2020 Compared with 2019

Natural Gas Utility Margins

Natural gas utility margins at the Illinois segment, net of the \$3.9 million impact of the riders referenced in the table above, increased \$31.4 million during 2020, compared with 2019. The increase in margins was primarily driven by higher revenues at PGL due to continued capital investment in the SMP project. PGL currently recovers the costs related to the SMP through a surcharge on customer bills pursuant to an ICC approved QIP rider, which is in effect through 2023. See Note 26, Regulatory Environment, for more information.

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

Other operating expenses at the Illinois segment decreased \$7.5 million, net of the impact of the riders referenced in the table above, during 2020, compared with 2019. The significant factors impacting the decrease in operating expenses were:

- A \$13.6 million decrease in natural gas distribution maintenance costs, which reflects the benefit of warmer than normal winter weather in 2020 and the timing of performing certain services.
- A \$7.1 million decrease in benefit costs, primarily due to lower deferred compensation costs, pension settlement costs, severance costs, and stock-based compensation.
- A \$6.5 million decrease in customer service expenses, primarily due to lower call volumes and metering costs.

These decreases in operating expenses were partially offset by:

- A \$15.4 million increase in depreciation expense, primarily driven by PGL's continued capital investment in the SMP project.
- A \$6.7 million increase in property and revenue taxes driven by a \$3.0 million increase in property taxes and a \$2.9 million increase in the invested capital tax related to higher plant placed in service during 2020, compared to 2019.

Other Income (Expense), Net

The Illinois segment had other income, net of \$2.3 million during 2020, compared with \$2.4 million of other expense, net in 2019. The \$4.7 million year-over-year increase in other income was driven by net credits from the non-service components of our net periodic pension and OPEB costs in 2020, compared with net expenses in 2019. See Note 20, Employee Benefits, for more information on our benefit costs.

Interest Expense

Interest expense at the Illinois segment increased \$4.5 million during 2020, compared with 2019, primarily due to higher long-term debt balances. This increase in debt balances was primarily related to continued capital investments and was partially offset by lower interest rates on short-term debt.

Income Tax Expense

Income tax expense at the Illinois segment increased \$5.9 million during 2020, compared with 2019, driven by an increase in pretax income, partially offset by a \$6.3 million change in unrecognized tax benefits in 2020. See Note 16, Income Taxes, for more information.

2019 Compared with 2018

Natural Gas Utility Margins

Natural gas utility margins at the Illinois segment, net of the \$2.2 million impact of the riders referenced in the table above, increased \$34.0 million during 2019, compared with 2018. The increase was primarily driven by higher revenues at PGL due to continued capital investment in the SMP project. PGL currently recovers the costs related to the SMP through a surcharge on customer bills pursuant to an ICC approved QIP rider, which is in effect through 2023. See Note 26, Regulatory Environment, for more information.

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

Other operating expenses at the Illinois segment decreased \$2.1 million, net of the impact of the riders referenced in the table above, during 2019, compared with 2018. The significant factor impacting the decrease in operating expenses was a \$23.2 million decrease in natural gas maintenance costs related to our Illinois utilities' distribution systems.

This decrease in other operating expenses was partially offset by:

- An \$11.0 million increase in depreciation and amortization, primarily driven by PGL's continued capital investment in the SMP project.
- An \$8.4 million increase in benefit costs, primarily related to higher deferred compensation costs in 2019.

Other Expense, Net

Other expense, net at the Illinois segment decreased \$3.3 million during 2019, compared with 2018, driven by lower costs from the non-service components of our net periodic pension and OPEB costs.

Interest Expense

Interest expense at the Illinois segment increased \$7.8 million during 2019, compared with 2018, driven by higher long-term debt balances. This increase in debt balances was primarily related to continued capital investments.

Income Tax Expense

Income tax expense at the Illinois segment increased \$8.4 million during 2019, compared with 2018, driven by an increase in pretax income.

OTHER STATES SEGMENT CONTRIBUTION TO NET INCOME ATTRIBUTED TO COMMON SHAREHOLDERS

The other states segment's contribution to net income attributed to common shareholders for the year ended December 31, 2020 was \$39.0 million, representing a \$4.2 million, or 9.7%, decrease over the prior year. The decrease was driven by lower natural gas margins due to the negative impact warmer winter weather and COVID-19 had on 2020 sales volumes, as well as an increase in depreciation and amortization. These decreases in net income were partially offset by lower operating expense in 2020 due to effective cost control.

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

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Natural gas revenues	\$ 384.1	\$ 426.0	\$ 438.2	\$ (41.9)	\$ (12.2)
Cost of natural gas sold	184.8	217.5	232.8	32.7	15.3
Total natural gas margins	199.3	208.5	205.4	(9.2)	3.1
Other operation and maintenance	87.0	98.5	101.0	11.5	2.5
Depreciation and amortization	33.5	27.5	24.1	(6.0)	(3.4)
Property and revenue taxes	17.2	17.2	11.5	—	(5.7)
Operating income	61.6	65.3	68.8	(3.7)	(3.5)
Other income (expense), net	0.7	—	(0.1)	0.7	0.1
Interest expense	10.2	8.5	8.7	(1.7)	0.2
Income before income taxes	52.1	56.8	60.0	(4.7)	(3.2)
Income tax expense	13.1	13.6	15.9	0.5	2.3
Net income attributed to common shareholders	\$ 39.0	\$ 43.2	\$ 44.1	\$ (4.2)	\$ (0.9)

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

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Operation and maintenance not included in line items below	\$ 67.9	\$ 76.4	\$ 76.1	\$ 8.5	\$ (0.3)
Regulatory amortizations and other pass through expenses ⁽¹⁾	18.9	22.0	24.8	3.1	2.8
Other	0.2	0.1	0.1	(0.1)	—
Total other operation and maintenance	\$ 87.0	\$ 98.5	\$ 101.0	\$ 11.5	\$ 2.5

⁽¹⁾ Regulatory amortizations and other pass through expenses are substantially offset in margins and therefore do not have a significant impact on net income.

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

Natural Gas Sales Volumes	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	Therms <i>(in millions)</i>			B (W)	B (W)
Customer Class	2020	2019	2018		
Residential	309.6	345.2	336.1	(35.6)	9.1
Commercial and industrial	200.5	238.2	218.5	(37.7)	19.7
Total retail	510.1	583.4	554.6	(73.3)	28.8
Transport	728.5	777.1	738.7	(48.6)	38.4
Total sales in therms	1,238.6	1,360.5	1,293.3	(121.9)	67.2

Weather ⁽¹⁾	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	Degree Days			B (W)	B (W)
	2020	2019	2018		
MERC					
Heating (8,030 normal)	7,896	8,728	8,490	(9.5)%	2.8 %
MGU					
Heating (6,259 normal)	5,952	6,347	6,368	(6.2)%	(0.3)%

⁽¹⁾ Normal heating degree days for MERC and MGU are based on a 20-year moving average and 15-year moving average, respectively, of monthly temperatures from various weather stations throughout their respective territories.

2020 Compared with 2019

Natural Gas Utility Margins

Natural gas utility margins decreased \$9.2 million during 2020, compared with 2019. The decrease was primarily driven by lower sales volumes as a result of warmer than normal winter weather in 2020 and impacts of the COVID-19 pandemic, partially offset by an increase in revenues related to MERC's GUIC rider. The GUIC rider allows MERC to recover previously approved GUIC that were incurred to replace or modify natural gas facilities to the extent the work is required by state, federal, or other government agencies and exceeds the costs included in base rates. MERC began recognizing revenue under the GUIC rider in the second quarter of 2019.

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

Other operating expenses at the other states segment decreased \$5.5 million during 2020, compared with 2019. The decrease in operating expenses was driven by effective cost control, partially offset by an increase in depreciation and amortization.

Interest Expense

Interest expense at the other states segment increased \$1.7 million during 2020, compared with 2019, primarily due to MERC and MGU's long-term debt issuances in April 2020 of \$50.0 million and \$60.0 million, respectively. This increase in debt balances was primarily related to continued capital investments.

Income Tax Expense

Income tax expense at the other states segment decreased \$0.5 million during 2020, compared with 2019, related to a decrease in pretax income.

2019 Compared with 2018

Natural Gas Utility Margins

Natural gas utility margins increased \$3.1 million during 2019, compared with 2018. The increase was primarily driven by higher sales volumes as a result of colder weather and customer growth, capital investment in natural gas utility infrastructure, and MERC recognizing revenue under the GUIC rider. These increases were partially offset by volumetric bill credits MGU is required to provide customers under a MPUC order addressing the effects of the Tax Legislation to return tax savings from the ruling. See Note 16, Income Taxes, and Note 26, Regulatory Environment, for more information.

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

Other operating expenses at the other states segment increased \$6.6 million during 2019, compared with 2018. The increase in operating expenses was partially driven by lower property and revenue taxes in 2018 resulting from a favorable judgment that MERC received related to a property tax matter. Because property taxes were under-recovered from rate payers in prior years, MERC received \$4.8 million of the judgment, with the remaining amount being passed back to customers through the property tax tracker. The increase was also driven by a \$2.1 million positive impact on 2018 depreciation and amortization expense from a depreciation study approved by the MPUC in the second quarter of 2018. These rates were effective retroactively to January 2017.

Income Tax Expense

Income tax expense at the other states segment decreased \$2.3 million during 2019, compared with 2018, related to a decrease in pretax income.

ELECTRIC TRANSMISSION SEGMENT CONTRIBUTION TO NET INCOME ATTRIBUTED TO COMMON SHAREHOLDERS

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Net income attributed to common shareholders	\$ 112.6	\$ 87.4	\$ 82.8	\$ 25.2	\$ 4.6

2020 Compared with 2019

Net income attributed to common shareholders at our electric transmission segment increased \$25.2 million during 2020, compared with 2019, driven by a \$48.2 million increase in equity earnings from transmission affiliates, primarily due to the impacts of FERC orders issued in November 2019 and May 2020 addressing complaints related to ATC's ROE. The FERC order issued in November 2019 reduced the base ROE that ATC was allowed to collect, which resulted in a \$19.3 million decrease in

ATC's earnings during 2019. The FERC order issued in May 2020 made additional revisions to the methodology used to calculate the base ROE, which resulted in an increase in the base ROE that ATC is allowed to collect, retroactive to November 2013, and increased ATC's earnings by \$14.6 million during 2020. For further discussion of the FERC orders, see Factors Affecting Results, Liquidity, and Capital Resources – Other Matters – American Transmission Company Allowed Return on Equity Complaints. Continued capital investment by ATC also contributed to the higher equity earnings.

The increase in equity earnings from transmission affiliates was partially offset by:

- A \$16.6 million increase in income tax expense during 2020, compared with 2019, driven by a \$10.9 million negative impact related to an increase in pretax income and changes in amortization of federal excess deferred income taxes.
- A \$6.3 million increase in interest expense, due to ATC Holding's issuance of \$235.0 million of long-term debt in September 2019.

2019 Compared with 2018

Net income attributed to common shareholders at our electric transmission segment increased \$4.6 million during 2019, compared with 2018, driven by a \$26.6 million decrease in income tax expense. The decrease in income tax expense was driven by a \$12.3 million tax basis adjustment related to the remeasurement of deferred income taxes in 2018 and a \$6.1 million favorable impact of lower pretax income in 2019. Also contributing to the decrease was a \$7.8 million decrease related to the change in the tax rates at the segment level resulting from the transfer of ownership in the ATC investment between our subsidiaries. The decrease in income tax expense related to the change in tax rates was offset in the corporate and other segment and, as a result, had no effect on consolidated net income attributed to common shareholders.

The increase in earnings from lower income tax expense was partially offset by:

- A \$12.8 million increase in interest expense, due to ATC Holding's issuance of \$235.0 million and \$240.0 million of long-term debt in September 2019 and December 2018, respectively.
- A \$9.1 million decrease in equity earnings from transmission affiliates, primarily related to the FERC order issued in November 2019 that addressed complaints related to ATC's allowed ROE, which resulted in a \$19.3 million decrease in ATC's earnings. Increased earnings from continued capital investment partially offset the negative impact from the FERC order.

NON-UTILITY ENERGY INFRASTRUCTURE SEGMENT CONTRIBUTION TO NET INCOME ATTRIBUTED TO COMMON SHAREHOLDERS

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Net income attributed to common shareholders	\$ 260.8	\$ 246.0	\$ 228.4	\$ 14.8	\$ 17.6

2020 Compared with 2019

Net income attributed to common shareholders increased \$14.8 million during 2020, compared with 2019, primarily related to a \$15.2 million decrease in income tax expense during 2020, compared to 2019, driven by wind PTCs generated by our Coyote Ridge wind park that achieved commercial operation in December 2019. See Note 2, Acquisitions, and Note 16, Income Taxes, for more information.

2019 Compared with 2018

Net income attributed to common shareholders increased \$17.6 million, primarily related to a \$14.0 million decrease in income tax expense during 2019, compared to 2018, driven by wind PTCs recognized on the three wind parks acquired in 2018 and 2019. Also contributing to the increase in earnings was a \$4.8 million increase in operating income at We Power, driven by higher revenues in connection with capital additions to the plants We Power owns and leases to WE. Partially offsetting these increases were \$2.4 million of operating losses at the Upstream and Bishop Hill III wind parks. The majority of earnings from our ownership interests in the wind parks come in the form of the wind PTCs discussed previously.

CORPORATE AND OTHER SEGMENT CONTRIBUTION TO NET INCOME ATTRIBUTED TO COMMON SHAREHOLDERS

<i>(in millions)</i>	Year Ended December 31			2020 vs. 2019	2019 vs. 2018
	2020	2019	2018	B (W)	B (W)
Net loss attributed to common shareholders	\$ (106.4)	\$ (62.8)	\$ (60.1)	\$ (43.6)	\$ (2.7)

2020 Compared with 2019

The net loss attributed to common shareholders at the corporate and other segment increased \$43.6 million during 2020, compared with 2019. The significant factors impacting the higher net loss were:

- A \$38.4 million loss related to the payment of make-whole premiums during 2020 due to the redemption of \$1,030.0 million of long-term debt prior to maturity.
- A \$9.0 million higher net operating loss at Wispark, driven by reductions in the carrying value of certain real estate-related investments during 2020 as market and other factors indicated the assets may not be fully recoverable.
- An \$8.5 million decrease in other income, net due to lower net gains from investments held in the Integrys rabbi trust during 2020. These investment gains partially offset benefits costs related to deferred compensation, which are included in other operation and maintenance expense in our operating segments. See Note 17, Fair Value Measurements, for more information on our investments held in the Integrys rabbi trust.
- A \$5.2 million decrease in interest income from subsidiaries in our operating segments. The decrease was driven by lower interest income from UMERG, as UMERG used the proceeds from its long-term debt issuance in August 2019 to redeem its outstanding long-term debt with WEC Energy Group.

These increases in the net loss attributed to common shareholders were partially offset by:

- A \$16.9 million decrease in interest expense, driven by the issuance of new debt in 2020 with lower interest rates than the debt retired during the year. Also contributing to the decrease was lower interest rates on our short-term and variable-rate long-term debt.
- A \$1.4 million increase in income tax benefits, driven by an \$11.6 million favorable impact from a higher pre-tax loss. This increase in income tax benefits was offset by an \$8.2 million change in unrecognized tax benefits during 2020, compared with 2019, and a \$3.5 million decrease in excess tax benefits recognized related to stock option exercises during 2020, compared to 2019. See Note 16, Income Taxes, for more information.

2019 Compared with 2018

The net loss attributed to common shareholders at the corporate and other segment increased \$2.7 million during 2019, compared with 2018. The significant factors impacting the higher net loss were:

- A \$15.1 million increase in interest expense, primarily driven by higher long-term debt balances in 2019. The increase in debt balances was primarily related to continued capital investments across our segments.
- A \$12.2 million increase in the net operating loss, driven by a transfer of assets from WBS to our regulated utilities in 2018. As a result of these transfers, the return on these assets is now recognized within our regulated utility operations. Also contributing to the increase in the net operating loss was a gain recorded in 2018 that related to a previous sale of a legacy business.
- A \$1.2 million decrease in income tax benefits, driven by a \$7.8 million benefit related to the change in the tax rates at the segment level resulting from the transfer of ownership of the ATC investment between our subsidiaries. This decrease was offset in the electric transmission segment and, as a result, had no effect on consolidated net income attributed to common shareholders. Also contributing to the decrease was \$2.3 million related to year-over-year changes associated with state net operating losses. These decreases in income tax benefits were substantially offset by a \$9.9 million increase in excess tax benefits recognized related to stock option exercises during 2019, compared to 2018.

These increases in the net loss attributed to common shareholders were largely offset by a \$23.0 million increase in other income, net due to net gains from investments held in the Integrys rabbi trust during 2019, compared with net losses during 2018.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion and analysis of our Liquidity and Capital Resources includes comparisons of our cash flows for the year ended December 31, 2020 with the year ended December 31, 2019. For a similar discussion that compares our cash flows for the year ended December 31, 2019 with the year ended December 31, 2018, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources in our 2019 Annual Report.

CASH FLOWS

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

<i>(in millions)</i>	2020	2019	Change in 2020 Over 2019
Cash provided by (used in):			
Operating activities	\$ 2,196.0	\$ 2,345.5	\$ (149.5)
Investing activities	(2,806.8)	(2,494.9)	(311.9)
Financing activities	601.1	85.6	515.5

Operating Activities

2020 Compared with 2019

Net cash provided by operating activities decreased \$149.5 million during 2020, compared with 2019, driven by:

- A \$209.3 million decrease in cash related to lower overall collections from customers, primarily due to business interruptions and closings during the COVID-19 pandemic and a moratorium on disconnections causing an increase in past due balances, as well as lower sales volumes driven by warmer winter weather during 2020, compared with 2019.
- A \$52.8 million net decrease in cash related to \$27.9 million of cash paid for income taxes during 2020, compared with \$24.9 million of cash received for income taxes during 2019. This decrease in cash was primarily due to alternative minimum tax credits that were refunded to us during 2019.
- A \$47.3 million decrease in cash related to an increase in contributions and payments related to pension and OPEB plans during 2020, compared with 2019.

These decreases in net cash provided by operating activities were partially offset by:

- A \$109.0 million increase in cash related to lower payments for fuel used at our plants during 2020, compared with 2019, driven by lower natural gas costs. The average per-unit cost of natural gas decreased 9.7% during 2020, compared with 2019. Lower fuel costs were also driven by lower sales volumes due to warmer winter weather during 2020 as well as business interruptions and closings during the COVID-19 pandemic.
- A \$33.5 million increase in cash due to lower collateral requirements, driven by an increase in the fair value of our natural gas derivative assets during 2020, compared with 2019.
- A \$22.8 million increase in cash due to higher distributions from ATC during 2020, compared with 2019.

Investing Activities

2020 Compared with 2019

Net cash used in investing activities increased \$311.9 million during 2020, compared with 2019, driven by:

- The acquisition of a 90% ownership interest in Blooming Grove in December 2020 for \$364.6 million, which is net of restricted cash acquired of \$24.1 million. See Note 2, Acquisitions, for more information.
- The acquisition of an 85% ownership interest in Tatanka Ridge in December 2020 for \$239.9 million. See Note 2, Acquisitions, for more information.
- A \$31.3 million decrease in cash related to lower reimbursements from ATC for construction costs during 2020, compared with 2019. See Note 21, Investment in Transmission Affiliates, for more information.
- A \$17.3 million decrease in proceeds received from the sale of assets and businesses during 2020, compared with 2019. See Note 3, Dispositions, for more information.

These increases in net cash used in investing activities were partially offset by:

- The acquisition of an 80% ownership interest in Upstream in January 2019 for \$268.2 million, which is net of cash and restricted cash acquired of \$9.2 million. See Note 2, Acquisitions, for more information.
- A \$31.4 million increase in cash related to lower capital contributions to transmission affiliates during 2020, compared with 2019. See Note 21, Investment in Transmission Affiliates, for more information.
- A \$23.2 million increase in cash related to insurance proceeds received for property damage during 2020. See Note 7, Property, Plant, and Equipment, for more information.
- A \$22.0 million decrease in cash paid for capital expenditures during 2020, compared with 2019, which is discussed in more detail below.
- An \$18.2 million net increase in restricted cash during 2020, compared with 2019, due to a \$56.0 million increase in the proceeds received from the sale of investments held in the Integrys rabbi trust, partially offset by \$37.8 million in purchases of investments held in the rabbi trust in 2020.

Capital Expenditures

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

Reportable Segment (in millions)	2020	2019	Change in 2020 Over 2019
Wisconsin	\$ 1,382.4	\$ 1,378.6	\$ 3.8
Illinois	652.7	624.9	27.8
Other states	144.3	109.1	35.2
Non-utility energy infrastructure	26.3	121.7	(95.4)
Corporate and other	33.1	26.5	6.6
Total capital expenditures	\$ 2,238.8	\$ 2,260.8	\$ (22.0)

2020 Compared with 2019

The increase in cash paid for capital expenditures at the Wisconsin segment during 2020, compared with 2019, was primarily driven by an increase in capital expenditures related to Badger Hollow I, Badger Hollow II, the Solar Now program, and upgrades to WE's natural gas distribution system during 2020. These increases in cash paid for capital expenditures were partially offset by decreased capital expenditures related to Two Creeks, the construction of UMERC's natural gas-fired generation facilities in the Upper Peninsula of Michigan, upgrades to WG's natural gas distribution system, upgrades of automated meter reading devices, and various other software projects during 2020, compared with 2019.

The increase in cash paid for capital expenditures at the Illinois segment during 2020, compared with 2019, was driven by upgrades of automated meter reading devices, a higher number of meter replacements, and upgrades at the Manlove Gas Storage Field during 2020. These increases in cash paid for capital expenditures were partially offset by decreased capital expenditures on facilities projects in 2020.

The increase in cash paid for capital expenditures at the other states segment during 2020, compared with 2019, was primarily driven by MERC and MGU's installation of automated meter reading devices and a higher number of meter replacements during 2020. These increases in cash paid for capital expenditures were partially offset by decreased capital expenditures related to an expansion of MERC's gas distribution system during 2019.

The decrease in cash paid for capital expenditures at the non-utility energy infrastructure segment during 2020, compared with 2019, was primarily driven by the construction of Coyote Ridge, most of which occurred in 2019 subsequent to its acquisition, and projects completed at the ERGS during 2019. See Note 2, Acquisitions, for more information. These decreases in cash paid for capital expenditures were partially offset by an increase in capital expenditures related to a compressor project for Bluewater during 2020.

See Capital Resources and Requirements – Capital Requirements – Capital Expenditures and Significant Capital Projects below for more information.

Financing Activities

2020 Compared with 2019

Net cash provided by financing activities increased \$515.5 million during 2020, compared with 2019, driven by:

- A \$1,215.4 million increase in cash due to \$606.1 million of net borrowings of commercial paper during 2020, compared with \$609.3 million of net repayments of commercial paper during 2019.

- A \$478.6 million increase in cash due to higher issuances of long-term debt during 2020, compared with 2019.
- A \$340.0 million increase in cash due to the issuance of a 364-day term loan during 2020, to enhance our liquidity position in response to the COVID-19 pandemic. See Factors Affecting Results, Liquidity, and Capital Resources – Coronavirus Disease – 2019, for additional information.
- A \$40.9 million increase in cash due to a decrease in the number and cost of shares of our common stock purchased during 2020, compared with 2019, to satisfy requirements of our stock-based compensation plans.

These increases in net cash provided by financing activities were partially offset by:

- A \$1,406.9 million decrease in cash related to higher long-term debt repayments during 2020, compared with 2019.
- A \$53.5 million decrease in cash due to higher dividends paid on our common stock during 2020, compared with 2019. In January 2020, our Board of Directors increased our quarterly dividend by \$0.0425 per share (7.2%) effective with the March 2020 dividend payment.
- A \$43.3 million decrease in cash due to the payment of make-whole premiums related to debt redemptions and higher issuance costs during 2020, compared with 2019.
- The acquisition of an additional 10% ownership interest in Upstream in April 2020 for \$31.0 million. See Note 2, Acquisitions, for more information.
- A \$23.2 million decrease in cash from stock options exercised during 2020, compared with 2019.

Significant Financing Activities

For more information on our financing activities, see Note 13, Short-Term Debt and Lines of Credit, and Note 14, Long-Term Debt.

CAPITAL RESOURCES AND REQUIREMENTS

Capital Resources

Liquidity

We anticipate meeting our capital requirements for our existing operations through internally generated funds and short-term borrowings, supplemented by the issuance of intermediate or long-term debt securities, depending on market conditions and other factors.

We currently have access to the capital markets and have been able to generate funds both internally and externally to meet our capital requirements. Our ability to attract the necessary financial capital at reasonable terms is critical to our overall strategic plan. We currently believe that we have adequate capacity to fund our operations for the foreseeable future through our existing borrowing arrangements, access to capital markets, and internally generated cash. See Factors Affecting Results, Liquidity, and Capital Resources – Coronavirus Disease – 2019, for additional information on the impacts of the COVID-19 pandemic.

WEC Energy Group, WE, WPS, WG, and PGL maintain bank back-up credit facilities, which provide liquidity support for each company's 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. In March 2020, in order to enhance our liquidity position in response to the COVID-19 pandemic and the ensuing volatility in the commercial paper market, WEC Energy Group entered into a \$340 million 364-day term loan, which was used to pay down commercial paper. We expect to have sufficient liquidity to repay the term loan upon its maturity in March 2021. See Note 13, Short-Term Debt and Lines of Credit, for more information about these credit agreements.

The following table shows our capitalization structure as of December 31, 2020 and 2019, as well as an adjusted capitalization structure that we believe is consistent with how a majority of the rating agencies currently view our 2007 Junior Notes:

<i>(in millions)</i>	2020		2019	
	Actual	Adjusted	Actual	Adjusted
Common shareholders' equity	\$ 10,469.7	\$ 10,719.7	\$ 10,113.4	\$ 10,363.4
Preferred stock of subsidiary	30.4	30.4	30.4	30.4
Long-term debt (including current portion)	12,513.9	12,263.9	11,904.2	11,654.2
Short-term debt	1,776.9	1,776.9	830.8	830.8
Total capitalization	\$ 24,790.9	\$ 24,790.9	\$ 22,878.8	\$ 22,878.8
Total debt	\$ 14,290.8	\$ 14,040.8	\$ 12,735.0	\$ 12,485.0
Ratio of debt to total capitalization	57.6 %	56.6 %	55.7 %	54.6 %

Included in long-term debt on our balance sheets as of December 31, 2020 and 2019, is \$500.0 million principal amount of the 2007 Junior Notes. The adjusted presentation attributes \$250.0 million of the 2007 Junior Notes to common shareholders' equity and \$250.0 million to long-term debt.

The adjusted presentation of our consolidated capitalization structure is included as a complement to our capitalization structure presented in accordance with GAAP. Management evaluates and manages our capitalization structure, including our total debt to total capitalization ratio, using the GAAP calculation as adjusted to reflect the treatment of the 2007 Junior Notes by the majority of rating agencies. Therefore, we believe the non-GAAP adjusted presentation reflecting this treatment is useful and relevant to investors in understanding how management and the rating agencies evaluate our capitalization structure.

For a summary of the interest rates, maturity, and amounts of long-term debt outstanding on a consolidated basis, see Note 14, Long-Term Debt.

As described in Note 11, Common Equity, certain restrictions exist on the ability of our subsidiaries to transfer funds to us. We do not expect these restrictions to have any material effect on our operations or ability to meet our cash obligations.

At December 31, 2020, 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 13, Short-Term Debt and Lines of Credit, and Note 14, Long-Term Debt, for more information.

Working Capital

As of December 31, 2020, our current liabilities exceeded our current assets by \$2,065.1 million. We do not expect this to have any impact on our liquidity since we believe we have adequate back-up lines of credit in place for our ongoing operations. We also believe that we can access the capital markets to finance our construction programs and to refinance current maturities of long-term debt, if necessary.

Credit Rating Risk

We do not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. However, we have certain agreements in the form of commodity contracts and employee benefit plans 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.

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.

If we are unable to successfully take actions to continue to manage any impact from the COVID-19 pandemic, the credit rating agencies could place our or our subsidiaries' credit ratings on negative outlook or downgrade our or our subsidiaries' credit ratings. Any such actions by credit rating agencies may make it more difficult and costly for us and our subsidiaries to issue

future debt securities and certain other types of financing and could increase borrowing costs under our and our subsidiaries' credit facilities.

See Factors Affecting Results, Liquidity, and Capital Resources – Coronavirus Disease – 2019, for additional information.

Capital Requirements

Contractual Obligations

We have the following contractual obligations and other commercial commitments as of December 31, 2020:

<i>(in millions)</i>	Payments Due by Period ⁽¹⁾				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations ⁽²⁾	\$ 20,566.7	\$ 1,238.8	\$ 1,731.3	\$ 2,591.2	\$ 15,005.4
Finance lease obligations ⁽³⁾	151.1	10.6	7.0	3.2	130.3
Operating lease obligations ⁽⁴⁾	46.0	4.5	8.9	8.1	24.5
Energy and transportation purchase obligations ⁽⁵⁾	10,979.4	1,179.6	2,127.1	1,613.6	6,059.1
Purchase orders ⁽⁶⁾	849.2	430.6	280.3	67.8	70.5
Pension and OPEB funding obligations ⁽⁷⁾	43.4	13.7	29.7	—	—
Total contractual obligations	\$ 32,635.8	\$ 2,877.8	\$ 4,184.3	\$ 4,283.9	\$ 21,289.8

⁽¹⁾ The amounts included in the table are calculated using current market prices, forward curves, and other estimates.

⁽²⁾ Principal and interest payments on long-term debt (excluding finance lease obligations). The interest due on our variable rate debt is based on the interest rates that were in effect on December 31, 2020.

⁽³⁾ Finance lease obligations for power purchase commitments and land leases related to solar projects. This amount does not include We Power leases to WE which are eliminated upon consolidation. See Note 15, Leases, for more information.

⁽⁴⁾ Operating lease obligations for office space, land, and rail car leases. See Note 15, Leases, for more information.

⁽⁵⁾ Energy and transportation purchase obligations under various contracts for the procurement of fuel, power, gas supply, and associated transportation related to utility and non-utility operations.

⁽⁶⁾ Purchase obligations related to normal business operations, information technology, and other services. Also includes construction obligations related to Badger Hollow I and Badger Hollow II.

⁽⁷⁾ Obligations for pension and OPEB plans cannot reasonably be estimated beyond 2023.

The table above does not include liabilities related to the accounting treatment for uncertainty in income taxes because we are not able to make a reasonably reliable estimate as to the amount and period of related future payments at this time. For additional information regarding these liabilities, refer to Note 16, Income Taxes.

The table above also does not reflect estimated future payments related to the manufactured gas plant remediation liability of \$532.9 million at December 31, 2020, as the amount and timing of payments are uncertain. We expect to incur costs annually to remediate these sites. See Note 24, Commitments and Contingencies, for more information about environmental liabilities.

AROs in the amount of \$513.5 million are not included in the above table. Settlement of these liabilities cannot be determined with certainty, but we believe the majority of these liabilities will be settled in more than five years. See Note 9, Asset Retirement Obligations, for more information.

Obligations for utility operations have historically been included as part of the rate-making process and therefore are generally recoverable from customers.

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 requirements, regulatory restraints and requirements, changes in tax laws and regulations, acquisition and development opportunities, market volatility, economic trends, and the COVID-19 pandemic. Our estimated capital expenditures and acquisitions for the next three years are as follows:

<i>(in millions)</i>	2021	2022	2023
Wisconsin	\$ 1,763.4	\$ 1,844.6	\$ 2,070.2
Illinois	573.9	581.8	660.9
Other states	98.4	106.8	92.5
Non-utility energy infrastructure	640.0	504.9	434.1
Corporate and other	17.1	10.1	3.7
Total	\$ 3,092.8	\$ 3,048.2	\$ 3,261.4

WE, WPS, and WG continue to upgrade their electric and natural gas distribution systems to enhance reliability. These upgrades include the AMI program. AMI is an integrated system of smart meters, communication networks, and data management systems that enable two-way communication between utilities and customers. WPS is also continuing work on the System Modernization and Reliability Project. This project includes modernizing parts of its electric distribution system, including burying or upgrading lines. The project focuses on constructing facilities to improve the reliability of electric service WPS provides to its customers. In 2021, WPS expects to invest approximately \$50 million on this project at which time it will be substantially complete.

We are committed to investing in solar, wind, and battery storage. Below are examples of renewable projects that are proposed or currently underway.

- We have received approval to invest in 300 MW of utility-scale solar within our Wisconsin segment. WPS has partnered with an unaffiliated utility to construct two solar projects in Wisconsin. Two Creeks is located in Manitowoc County, Wisconsin, and Badger Hollow I is located in Iowa County, Wisconsin. WPS owns 100 MW of Two Creeks, which achieved commercial operation in November 2020, and will own 100 MW of Badger Hollow I for a total of 200 MW. Commercial operation is targeted for the second quarter of 2021 for Badger Hollow I. WPS's share of the cost of both projects is estimated to be approximately \$260 million. WE has partnered with an unaffiliated utility to construct a solar project, Badger Hollow II, that will be located in Iowa County, Wisconsin. Once constructed, WE will own 100 MW of this project. WE's share of the cost of this project is estimated to be \$130 million. Commercial operation of Badger Hollow II is targeted for December 2022.
- In February 2021, WE and WPS, along with an unaffiliated utility, filed an application with the PSCW for approval to acquire and construct the Paris Solar-Battery Park, a utility-scale solar-powered electric generating facility with a battery energy storage system. The project will be located in Kenosha County, Wisconsin and features 200 MW of solar generation and 110 MW of battery storage. The joint applicants propose that WE would acquire a 75% ownership interest, WPS would acquire a 15% ownership interest, and the unaffiliated utility would acquire the remaining 10% ownership interest. If approved, WE and WPS' combined share of the cost of this project is estimated to be approximately \$385 million with construction expected to begin in 2022 and completed by the end of 2023.
- In February 2021, WE and WPS filed an application with the PSCW for approval to accelerate up to approximately \$154 million in capital investments in BSGF and CCWP, to repower major components. Both projects are expected to be completed by the end of 2022.

WE is constructing approximately 46 miles of natural gas transmission main to increase the quantity and reliability of natural gas service in southeastern Wisconsin. This project, which was approved in a written order by the PSCW in June 2020, has been designated as the Lakeshore Lateral Project. The cost of the project is estimated to be between \$174 and \$180 million. Construction for the project began in December 2020, and the project is expected to be completed by the end of 2021.

WE and WG each plans to construct its own LNG facility. Subject to PSCW approval, each facility would provide approximately one Bcf of natural gas supply to meet anticipated peak demand without requiring the construction of additional interstate pipeline capacity. These facilities are expected to reduce the likelihood of constraints on WE's and WG's natural gas systems during the highest demand days of winter. The total cost of both projects is estimated to be approximately \$370 million, with approximately half being invested by each utility. Commercial operation of the LNG facilities is targeted for the end of 2023.

PGL is continuing work on the SMP, a project under which PGL is replacing approximately 2,000 miles of Chicago's aging natural gas pipeline infrastructure. PGL currently recovers these costs through a surcharge on customer bills pursuant to an ICC approved QIP rider, which is in effect through 2023. PGL's projected average annual investment through 2022 is between \$280 million and \$300 million. See Note 26, Regulatory Environment, for more information on the SMP.

The non-utility energy infrastructure segment line item in the table above includes WECl's planned investment in Thunderhead. See Note 2, Acquisitions, for more information on this wind project.

We expect to provide total capital contributions to ATC (not included in the above table) of approximately \$45 million from 2021 through 2023. We do not expect to make any contributions to ATC Holdco during that period.

See Factors Affecting Results, Liquidity, and Capital Resources – Coronavirus Disease – 2019, for information on the impacts to our capital projects as a result of the COVID-19 pandemic.

Common Stock Matters

For information related to our common stock matters, see Note 11, Common Equity.

On January 21, 2021, our Board of Directors increased our quarterly dividend to \$0.6775 per share effective with the first quarter of 2021 dividend payment, an increase of 7.1%. This equates to an annual dividend of \$2.71 per share. In addition, the Board of Directors affirmed our dividend policy that continues to target a dividend payout ratio of 65-70% of earnings.

Investments in Outside Trusts

We use outside trusts to fund our pension and certain OPEB obligations. These trusts had investments of approximately \$4.2 billion as of December 31, 2020. These trusts hold investments that are subject to the volatility of the stock market and interest rates. We contributed \$113.2 million and \$65.9 million to our pension and OPEB plans in 2020 and 2019, respectively. Future contributions to the plans will be dependent upon many factors, including the performance of existing plan assets and long-term discount rates. For additional information, see Note 20, Employee Benefits.

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. For additional information, see Note 13, Short-Term Debt and Lines of Credit, Note 19, Guarantees, and Note 23, Variable Interest Entities.

FACTORS AFFECTING RESULTS, LIQUIDITY, AND CAPITAL RESOURCES

CORONAVIRUS DISEASE – 2019

The global outbreak of COVID-19 was declared a pandemic by the WHO and the CDC and has spread globally, including throughout the United States. There is still considerable uncertainty regarding the extent and duration of the COVID-19 pandemic itself, as well as the measures currently in place to try to contain the virus, such as travel bans and restrictions, quarantines, limitations on business operations, and the timing of widespread availability of the vaccines. Although the shelter-in-place orders that were in effect for our service territories have expired, other orders limiting the capacity of various businesses have been adopted in some jurisdictions. In addition, similar or more restrictive orders could be adopted in the future depending on how the virus continues to spread and/or mutate. The effects of the COVID-19 pandemic and related government responses have significantly disrupted economic activity in our service territories.

Liquidity and Financial Markets

Volatility and uncertainty in the financial markets and global economy have impacted us in a number of ways. Upon the initial enactment of certain COVID-19 related shelter-in-place orders in early to mid-March 2020, commercial paper markets became more expensive and related terms became less flexible. In response to these signs of market instability, the Federal Reserve implemented certain measures, including a reduction in its benchmark Federal Funds rate and the establishment of various programs to restore liquidity and stability into the short-term funding markets. These measures have had a mitigating effect on commercial paper rates and availability. In addition, the initial disruption in the long-term debt markets as a result of the COVID-19 pandemic has subsided.

In response to the factors discussed above, we have taken several steps to enhance our liquidity position. In March 2020, we entered into a \$340 million, 364-day term loan, which was used to pay down commercial paper. Also, while not directly related to COVID-19, we have completed several long-term debt offerings and refinancings in 2020 in order to finance capital investment in accordance with our long-term capital plan and also to take advantage of the low interest rate environment. See Note 14, Long-Term Debt, for more information on recent borrowing activity.

Our overall liquidity position remains strong. As of December 31, 2020, we had approximately \$1.4 billion available under our credit facilities, providing sufficient backing for our commercial paper program.

Pensions and Other Benefits

Our pension and OPEB plans were well funded at December 31, 2020, with total plan assets exceeding total benefit obligations by \$273.9 million. There has been significant volatility in global capital markets during the COVID-19 pandemic, although the market losses seen during the early stages of the pandemic in the first quarter of 2020 reversed course throughout the remainder of the year in response to government stimulus and relief efforts and the gradual reopening of businesses. During the year ended December 31, 2020, we recognized a \$451.2 million increase in the value of long-term investments held in our pension and OPEB plan trusts as gains recognized during the last three quarters of 2020 more than offset first quarter losses.

We could still see earnings volatility associated with certain other benefit plans that we maintain, primarily related to performance units that we grant to certain employees, and our deferred compensation plans. Certain of the liabilities associated with the deferred compensation plans are indexed to mutual funds and our common stock, and the liabilities associated with outstanding performance units are indexed to our common stock. These liabilities are marked to fair value through earnings each period, with

earnings increasing as market prices decrease. Earnings volatility associated with our deferred compensation plans is partially mitigated by investments we hold in a rabbi trust.

Allowance for Credit Losses

We evaluate the collectability of our accounts receivable and unbilled revenue balances considering a combination of factors. Risks identified that we do not believe are reflected in historical reserve percentages are assessed on a quarterly basis to determine whether further adjustments are required. Economic disruptions caused by the COVID-19 pandemic, including higher unemployment rates and the inability of some businesses to recover from the pandemic, could cause a higher percentage of accounts receivable to become uncollectible. Although impacts on our results of operations related to uncollectible receivable balances are mitigated by regulatory mechanisms and certain COVID-19 specific regulatory orders we have received, the increase in past due receivables we have experienced has resulted in higher working capital requirements. At December 31, 2020, accounts receivables, net of reserves for credit losses, that were greater than 90 days past due, totaled \$122.8 million, a \$38.6 million increase compared to December 31, 2019.

Our exposure to credit losses for certain regulated utility customers is mitigated by regulatory mechanisms we have in place. Specifically, rates related to all of the customers in our Illinois segment, as well as the residential rates of WE, WPS, and WG in our Wisconsin segment include riders or other mechanisms for cost recovery or refund of uncollectible expense based on the difference between the actual provision for credit losses and the amounts recovered in rates. In addition, we have received specific orders related to the deferral of certain costs (including credit losses) and foregone revenues related to the COVID-19 pandemic. The additional protections provided by these COVID-19 specific regulatory orders are still being assessed and will be subject to prudence reviews. See Note 26, Regulatory Environment, for more information on these orders.

Loss of Business

We have seen a decrease in the consumption of electricity and natural gas by some of our commercial and industrial customers as they continue to experience lower demand for their products and services as a result of the COVID-19 pandemic. Many businesses in our service territories still are not operating at full capacity. The extent to which this decrease in consumption will impact our results of operations and liquidity is dependent upon the duration of the COVID-19 pandemic and the ability of our customers to resume and continue normal operations.

Supply Chain and Capital Projects

We have not yet experienced a significant disruption in our supply chain as a result of the COVID-19 pandemic. However, if the pandemic significantly impacts our key suppliers' ability to manufacture or deliver critical equipment and supplies or provide services, we could experience delays in our ability to perform certain maintenance and capital project activities.

The timing of Badger Hollow I has been impacted by the COVID-19 pandemic. The parties agreed to delay the expected commercial operation date from December 2020 to the second quarter of 2021 so that initial staffing increases could be minimized in light of state mandated COVID-19 orders. We are not currently aware of any other major delays or changes related to our capital plan as a result of the COVID-19 pandemic, although we are continuing to monitor potential impacts on an ongoing basis.

Employee Safety

The health and safety of our employees during the COVID-19 pandemic is paramount and enables us to continue to provide critical services to our customers.

We are following CDC guidelines and have taken precautions with regard to employee hygiene and facility cleanliness, imposed travel limitations on our employees, provided additional employee benefits, and implemented remote work policies where appropriate. We have activated an incident management team and updated our pandemic continuity plan, which includes identifying critical work groups and ensuring safe harbor plans are in place. We have minimized the unnecessary risk of exposure to COVID-19 by implementing self-quarantine measures and have adopted additional precautionary measures for our critical work groups.

Additional protocols have been implemented for our field employees who travel to customer premises in order to protect them, our customers, and the public. We have modified our work protocols to ensure compliance with social distancing and face covering recommendations.

All of these safety measures have caused us to incur additional costs, and depending upon the duration of the COVID-19 pandemic, could have a material impact on our results of operations and liquidity.

Regulatory Environment

Our utilities have taken actions to ensure that essential utility services are available to customers in their service territories during the COVID-19 pandemic. In addition, the PSCW, the ICC, the MPUC, and the MPSC have all issued written orders regarding certain measures required in their respective jurisdictions. See Note 26, Regulatory Environment, for more information on these orders and the potential recovery of expenditures incurred as a result of the measures being taken.

MARKET RISKS AND OTHER SIGNIFICANT RISKS

We are exposed to market and other significant risks as a result of the nature of our businesses and the environments in which those businesses operate. These risks, described in further detail below, include but are not limited to:

Regulatory Recovery

Our utilities account for their regulated operations in accordance with accounting guidance under the Regulated Operations Topic of the FASB ASC. Our rates are determined by various regulatory commissions.

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 our regulators. Recovery of the deferred costs in future rates is subject to the review and approval by those regulators. 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 our regulators, the costs would be charged to income in the current period. Regulators 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. As of December 31, 2020, our regulatory assets were \$3,544.1 million, and our regulatory liabilities were \$3,979.1 million.

Due to the Tax Legislation, our regulated utilities remeasured their deferred taxes and recorded a tax benefit of \$2,529 million. Our utilities have been returning this tax benefit to ratepayers through refunds, bill credits, riders, and reductions to other regulatory assets, which we expect to continue. See Note 16, Income Taxes, and Note 26, Regulatory Environment, for more information.

We expect to request or have requested recovery of the costs related to the following projects discussed in recent or pending rate proceedings, orders, and investigations involving our utilities:

- Prior to its acquisition by us, Integrys initiated an information technology project with the goal of improving the customer experience at its subsidiaries. Specifically, the project is expected to provide functional and technological benefits to the billing, call center, and credit collection functions. As of December 31, 2020, we had not received any significant disallowances of the costs incurred for this project. WPS and MERC received approval to recover these costs in their most recent rate orders; however, the costs incurred for this project in our other regulatory jurisdictions are still subject to approval by the applicable regulators.
- In January 2014, the ICC approved PGL's use of the QIP rider as a recovery mechanism for costs incurred related to investments in QIP. This rider is subject to an annual reconciliation whereby costs are reviewed for accuracy and prudence. In March 2020, PGL filed its 2019 reconciliation with the ICC, which, along with the 2018, 2017, and 2016 reconciliations, are still pending. As of December 31, 2020, there can be no assurance that all costs incurred under the QIP rider during the open reconciliation years will be deemed recoverable by the ICC.

See Note 26, Regulatory Environment, for more information regarding recent and pending rate proceedings, orders, and investigations involving our utilities.

Commodity Costs

In the normal course of providing energy, we are subject to market fluctuations in the costs of coal, natural gas, purchased power, and fuel oil used in the delivery of coal. We manage our fuel and natural gas supply costs through a portfolio of short and long-term procurement contracts with various suppliers for the purchase of coal, natural gas, and fuel oil. In addition, we manage the risk of price volatility through natural gas and electric hedging programs.

Embedded within our utilities' rates are amounts to recover fuel, natural gas, and purchased power costs. Our utilities have recovery mechanisms in place that allow them to recover or refund all or a portion of the changes in prudently incurred fuel, natural gas, and purchased power costs from rate case-approved amounts.

Higher commodity 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 and/or fuel substitution. Higher commodity 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 5, Credit Losses, for more information on riders and other mechanisms that allow for cost recovery or refund of uncollectible expense.

Due to the cold temperatures, wind, snow and ice throughout the central part of the country during February 2021, the cost of gas purchased for our natural gas utility customers was temporarily driven higher than our normal winter weather expectations. In aggregate, we estimate that the total increase was between \$300 million and \$350 million as of February 25, 2021. All of our utilities have regulatory mechanisms in place for recovering all prudently incurred gas costs. In addition, we have adequate liquidity and access to capital markets to manage any short-term increase in working capital resulting from the lag in recovery. For information on the GCRMs, see Note 1(d), Operating Revenues.

Weather

Our utilities' rates are based upon estimated normal temperatures. Our electric utility margins are unfavorably sensitive to below normal temperatures during the summer cooling season and, to some extent, to above normal temperatures during the winter heating season. Our natural gas utility margins are unfavorably sensitive to above normal temperatures during the winter heating season. PGL, NSG, and MERC have decoupling mechanisms in place that help reduce the impacts of weather. Decoupling mechanisms differ by state and allow utilities to recover or refund certain differences between actual and authorized margins. A summary of actual weather information in our utilities' service territories during 2020 and 2019, 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 and long-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. We may also enter into derivative financial instruments, such as swaps, to mitigate interest rate exposure.

Based on the variable rate debt outstanding at December 31, 2020 and December 31, 2019, a hypothetical increase in market interest rates of one percentage point would have increased annual interest expense by \$20.3 million and \$10.8 million in 2020 and 2019, 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 our various utility regulators.

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

<i>(in millions)</i>	As of December 31, 2020	Expected Return on Assets in 2021
Pension trust funds	\$ 3,225.0	6.87 %
OPEB trust funds	\$ 951.4	7.00 %

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.

We consult with our 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 electric and natural gas utility operations that serve customers in Wisconsin, Illinois, Minnesota, and Michigan. 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 products.

Inflation

We continue to monitor the impact of inflation, especially with respect to the costs of medical plans, fuel, transmission access, construction costs, and regulatory and environmental compliance in order to minimize its effects in future years through pricing strategies, productivity improvements, and cost reductions. We do not believe the impact of general inflation will have a material impact on our future results of operations.

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

COMPETITIVE MARKETS

Electric Utility Industry

The FERC supports large RTOs, which directly impacts the structure of the wholesale electric market. Due to the FERC's support of RTOs, MISO uses the MISO Energy Markets to carry out its operations, including the use of LMP to value electric transmission congestion and losses. Increased competition in the retail and wholesale markets, which may result from restructuring efforts, could have a significant and adverse financial impact on us. It is uncertain when, if at all, retail choice might be implemented in Wisconsin. However, Michigan has adopted a limited retail choice program.

Wisconsin

Electric utility revenues in Wisconsin are regulated by the PSCW. The PSCW continues to maintain the position that the question of whether to implement electric retail competition in Wisconsin should ultimately be decided by the Wisconsin legislature. No such legislation has been introduced in Wisconsin to date.

Michigan

Under Michigan law, our retail customers may choose an alternative electric supplier to provide power supply service. As a result, some of our small retail customers have switched to an alternative electric supplier. At December 31, 2020, Michigan law limited customer choice to 10% of an electric utility's Michigan retail load. Our iron ore mine customer, Tilden, is exempt from this 10% cap based on current law, but Tilden is required under a long-term agreement to purchase electric power from UMERCA through March 2039. In addition, certain load increases by facilities already using an alternative electric supplier can still be serviced by their alternative electric supplier, when various conditions exist, even if the cap has already been met. When a customer switches to an alternative electric supplier, we continue to provide distribution and customer service functions for the customer.

Natural Gas Utility Industry

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 systems 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.

Wisconsin

Our Wisconsin utilities offer both natural gas transportation service and interruptible natural gas sales to enable customers to better manage their energy costs. Customers continue to switch between firm system supply, interruptible system supply, and transportation service each year as the economics and service options change. Due to the PSCW's previous proceedings on natural gas industry regulation in a competitive environment, the PSCW currently provides all Wisconsin customer classes with competitive markets the option to choose a third-party natural gas supplier. All of our Wisconsin customer classes have competitive market choices and, therefore, can purchase natural gas directly from either a third-party supplier or their local natural gas utility. Since third-party suppliers can be used in Wisconsin, the PSCW has also adopted standards for transactions between a utility and its natural gas marketing affiliates. We are currently unable to predict the impact, if any, of potential future industry restructuring on our results of operations or financial position.

Illinois

Absent extraordinary circumstances, potential competitors are not allowed to construct competing natural gas distribution systems in the service territories for PGL and NSG. A charter from the state of Illinois gives PGL 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.

Since 2002, PGL and NSG have, under ICC-approved tariffs, provided their customers with the option to choose a third-party natural gas supplier. There are no state laws requiring PGL and NSG to make this choice option available to customers, but since this option is currently provided to our Illinois customers under tariff, we would need ICC approval to eliminate it.

An interstate pipeline may seek to provide transportation service directly to our Illinois end users, which would bypass our natural gas transportation service. However, PGL and NSG have bypass tariffs approved by the ICC, which allow them to negotiate rates with customers that are potential bypass candidates to help ensure that such customers continue to use their transportation service.

Minnesota

Natural gas utilities in the state of Minnesota do not have exclusive franchise service territories and, as a matter of law and policy, natural gas utilities may compete for new customers. However, natural gas utilities have customarily avoided competing for existing customers of other utilities, as there would be duplicative utility facilities and/or increased costs to customers. If this approach were to change, it could lead to a greater level of competition amongst utilities to obtain customers.

MERC offers both natural gas transportation service and interruptible natural gas sales to enable customers to better manage their energy costs. Customers continue to switch between firm system supply, interruptible system supply, and transportation service each year as the economics and service options change. MERC has provided its commercial and industrial customers with the option to choose a third-party natural gas supplier since 2006. We are not required by the MPUC or state law to make this choice option available to customers, but since this option is currently provided to our Minnesota commercial and industrial customers, we would need MPUC approval to eliminate it.

Michigan

The option to choose a third-party natural gas supplier has been provided to UMERC's natural gas customers (formerly WPS's Michigan natural gas customers) since the late 1990s and MGU's customers since 2005. We are not required by the MPSC or state law to make this choice option available to customers, but since this option is currently provided to our Michigan customers, we would need MPSC approval to eliminate it.

ENVIRONMENTAL MATTERS

See Note 24, Commitments and Contingencies, for a discussion of certain environmental matters affecting us, including rules and regulations relating to air quality, water quality, land quality, and climate change.

OTHER MATTERS

Tax Cuts and Jobs Act of 2017

In December 2017, the Tax Legislation was signed into law. During 2018, 2019, and 2020, the PSCW and the MPSC issued written orders regarding how to refund certain tax savings from the Tax Legislation to our ratepayers in Wisconsin and Michigan, respectively. The various remaining impacts of the Tax Legislation on our Wisconsin operations were addressed in the rate orders issued by the PSCW in December 2019. The MPSC also approved a settlement in May 2018 with Tilden that addressed all base rate impacts of the Tax Legislation, and the FERC approved the revised formula rate tariffs for WPS and WE that incorporated the impacts on the Tax Legislation in July 2019 and August 2020, respectively. In addition, the ICC approved the VITA in Illinois during April 2018, and, in Minnesota, the MPUC included the various impacts of the Tax Legislation in MERC's final 2018 rate order. See Note 26, Regulatory Environment, for more information on the state commissions' responses to the Tax Legislation.

American Transmission Company Allowed Return on Equity Complaints

On November 21, 2019, the FERC issued an order (November 2019 Order) related to the methodology used to calculate the base ROE for all MISO transmission owners, including ATC. Based on this order, the FERC expanded its base ROE methodology to include the capital-asset pricing model in addition to the discounted cash flow model to better reflect how investors make their investment decisions. The FERC's modified methodology reduced the base ROE that ATC is allowed to collect on a going-forward basis, as discussed below. In response to the FERC's decision, requests for the FERC to rehear the November 2019 Order in its entirety were filed by various parties.

On May 21, 2020, the FERC issued an order (May 2020 Order) that granted in part and denied in part the requests to rehear the November 2019 Order. In the May 2020 Order, the FERC made additional revisions to its base ROE methodology, including adding the use of the risk premium model. As discussed below, the additional revisions made by the FERC increased ATC's base ROE authorized in the November 2019 Order on a going-forward basis. Various parties filed requests to rehear certain parts of the May 2020 Order with the FERC, but the FERC issued an order in response to the rehearing requests during

November 2020 (November 2020 Order) that confirmed the ROE authorized in the May 2020 Order. Petitions for review of the November 2019 Order, relevant parts of the May 2020 Order, and the November 2020 Order have also been filed with the D.C. Circuit Court of Appeals.

First Return on Equity Complaint

In November 2013, a group of MISO industrial customer organizations filed a complaint with the FERC requesting to reduce the base ROE used by MISO transmission owners, including ATC, from 12.2% to 9.15%. In September 2016, the FERC issued an order requiring MISO transmission owners to collect a reduced base ROE of 10.32%, as well as the 0.5% incentive adder approved by the FERC in January 2015 for MISO transmission owners. The FERC then issued the November 2019 Order after directing MISO transmission owners and other stakeholders to provide briefs and comments on a proposed change to the methodology for calculating base ROE. The November 2019 Order further reduced the base ROE for all MISO transmission owners, including ATC, to 9.88%, effective as of September 28, 2016 and prospectively. The November 2019 Order also continued to allow the collection of the 0.5% ROE incentive adder, which only applies to revenues collected after January 6, 2015. In response to the rehearing requests filed related to the November 2019 Order, the FERC issued another order in May 2020. This May 2020 Order increased the base ROE for all MISO transmission owners, including ATC, from the 9.88% authorized in the November 2019 Order to 10.02%, effective as of September 28, 2016 and prospectively. The May 2020 Order also allowed the continued collection of the 0.5% ROE incentive adder.

ATC is required to provide refunds, with interest, for the 15-month refund period from November 12, 2013 through February 11, 2015 and for the period from September 28, 2016 through November 19, 2020. As a result, ATC is expected to continue providing WE and WPS with refunds related to the transmission costs they paid during the two refund periods through the end of September 2021. These refunds are being applied to WE's and WPS's PSCW-approved escrow accounting for transmission expense.

Second Return on Equity Complaint

In February 2015, a second complaint was filed with the FERC requesting a reduction in the base ROE used by MISO transmission owners, including ATC, to 8.67%, with a refund effective date retroactive to February 12, 2015. The FERC also addressed this second complaint in the November 2019 Order. Similar to the first complaint, the November 2019 Order stated that the base ROE of 9.88% and the 0.5% incentive adder were reasonable for the period covered by the second complaint, February 12, 2015 through May 10, 2016. However, in the November 2019 Order, the FERC relied on certain provisions of the Federal Power Act to dismiss the second complaint and to determine that refunds were not allowed for this period. In its May 2020 Order, the FERC stated the new base ROE of 10.02% and the 0.5% incentive adder were reasonable for the period covered by the second complaint. However, the FERC relied on the same provisions of the Federal Power Act to again dismiss the complaint and determine that refunds were not allowed for this period. The FERC also denied the requests to rehear both the dismissal of the second complaint and the determination that no refunds are allowed for the second complaint period.

Due to the various outstanding petitions related to the November 2019 Order, May 2020 Order, and November 2020 Order, refunds could still be required for the second complaint period. Therefore, our financials continue to reflect a liability of \$39.1 million, reducing our equity earnings from ATC. This liability is based on a 10.52% ROE for the second complaint period. If it is ultimately determined that a refund is required for the second complaint period, we would not expect any such refund to have a material impact on our financial statements or results of operations in the future. In addition, WE and WPS would be entitled to receive a portion of the refund from ATC for the benefit of their customers.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of financial statements and related disclosures in compliance with GAAP requires the application of appropriate technical accounting rules and guidance as well as the use of estimates. The application of these policies necessarily involves judgments regarding future events, including the likelihood of success of particular projects, legal and regulatory challenges, and anticipated recovery of costs. These judgments, in and of themselves, could materially impact the financial statements and disclosures based on varying assumptions. In addition, the financial and operating environment may also have a significant effect, not only on the operation of our business, but on our results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies applied have not changed.

The following is a list of accounting policies that are most significant to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective, or complex judgments.

Regulatory Accounting

Our utility operations follow the guidance under the Regulated Operations Topic of the FASB ASC (Topic 980). Our financial statements reflect the effects of the rate-making principles followed by the various jurisdictions regulating us. 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 our regulators.

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 regulators 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 electric and natural gas utility operations, 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. As of December 31, 2020, we had \$3,544.1 million in regulatory assets and \$3,979.1 million in regulatory liabilities. See Note 6, Regulatory Assets and Liabilities, for more information.

Goodwill

We completed our annual goodwill impairment tests for all of our reporting units that carried a goodwill balance as of July 1, 2020. No impairments were recorded as a result of these tests. For all of our reporting units, the fair values calculated in step one of the test were greater than their carrying values. The fair values for the reporting units were calculated using a combination of the income approach and the market approach.

For the income approach, we used internal forecasts to project cash flows. Any forecast contains a degree of uncertainty, and changes in these cash flows could significantly increase or decrease the calculated fair value of a reporting unit. Since all of our reporting units are regulated, a fair recovery of and return on costs prudently incurred to serve customers is assumed. An unfavorable outcome in a rate case could cause the fair values of our reporting units to decrease.

Key assumptions used in the income approach include ROEs, the long-term growth rates used to determine terminal values at the end of the discrete forecast period, and the discount rates. The discount rate is applied to estimated future cash flows and is one of the most significant assumptions used to determine fair value under the income approach. As interest rates rise, the calculated fair values will decrease. The discount rate is based on the weighted-average cost of capital for each reporting unit, taking into account both the after-tax cost of debt and cost of equity. The terminal year ROE for each utility is driven by its current allowed ROE. The terminal growth rate is based primarily on a combination of historical and forecasted statistics for real gross domestic product and personal income for each utility service area.

For the market approach, we used an equal weighting of the guideline public company method and the guideline merged and acquired company method. The guideline public company method uses financial metrics from similar publicly traded companies to determine fair value. The guideline merged and acquired company method calculates fair value by analyzing the actual prices paid for recent mergers and acquisitions in the industry. We applied multiples derived from these two methods to the appropriate operating metrics for our reporting units to determine fair value.

The underlying assumptions and estimates used in the impairment tests were made as of a point in time. Subsequent changes in these assumptions and estimates could change the results of the tests.

For all of our reporting units, the fair value exceeded its carrying value by over 50%. Based on these results, our reporting units are not at risk of failing step one of the goodwill impairment test.

Our reporting units had the following goodwill balances at July 1, 2020:

<i>(in millions, except percentages)</i>	Goodwill	Percentage of Total Goodwill
Wisconsin	\$ 2,104.3	68.9 %
Illinois	758.7	24.9 %
Other states	183.2	6.0 %
Non-utility energy infrastructure	6.6	0.2 %
Total goodwill	\$ 3,052.8	100.0 %

See Note 10, Goodwill and Intangibles, for more information.

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, adverse legal factors or a change in business climate, operating or cash flow losses, or an expectation that the asset might be sold. These assessments require significant assumptions and judgments by management. Long-lived assets that would be subject to an impairment assessment would 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, and assets within nonregulated operations that are proposed to be sold or are currently generating operating losses.

In accordance with ASC 980-360, when it becomes probable that a generating unit will be retired before the end of its useful life, we assess whether the generating unit meets the criteria for abandonment accounting. Generating units that are considered probable of abandonment are expected to cease operations in the near term, significantly before the end of their original estimated useful lives. As a result, the remaining net book value of these assets can be significant. If a generating unit meets applicable criteria to be considered probable of abandonment, and the unit has been abandoned, we assess the likelihood of recovery of the remaining net book value of that generating unit at the end of each reporting period. If it becomes probable that regulators will disallow full recovery or a return on the remaining net book value of a generating unit that is either abandoned or probable of being abandoned, an impairment loss may be required. An impairment loss would be recorded if the remaining net book value of the generating unit is greater than the present value of the amount expected to be recovered from ratepayers.

The Pleasant Prairie power plant, Pulliam Units 7 and 8, and the jointly-owned Edgewater 4 generating unit were retired during 2018. PIPP was retired during 2019. Effective with the rate orders issued by the PSCW in December 2019, WE and WPS received approval to collect a return of and on the entire net book value of the retired generating units, excluding the Pleasant Prairie power plant. WE will collect a full return of the net book value of the Pleasant Prairie power plant, and a return on all but \$100 million of the net book value. In accordance with its PSCW rate order received in December 2019, WE filed an application with the PSCW on July 20, 2020 requesting a financing order to securitize the remaining \$100 million of the Pleasant Prairie power plant's book value related to certain environmental controls, plus the carrying costs accrued on the \$100 million during the securitization process and related fees. On November 17, 2020, the PSCW issued a written order approving the application. See Note 6, Regulatory Assets and Liabilities, and Note 26, Regulatory Environment, for more information on our retired generating units, including various approvals we received from the FERC and the PSCW.

Pension and Other Postretirement Employee Benefits

The costs of providing non-contributory defined pension benefits and OPEB, described in Note 20, 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 at our utilities through the rate-making 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 2020 Pension Cost
Discount rate	(0.5)	\$ 232.2	\$ 21.7
Discount rate	0.5	(198.7)	(17.8)
Rate of return on plan assets	(0.5)	N/A	13.7
Rate of return on plan assets	0.5	N/A	(13.7)

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 2020 Postretirement Benefit Cost
Discount rate	(0.5)	\$ 36.0	\$ 3.9
Discount rate	0.5	(31.2)	(3.3)
Health care cost trend rate	(0.5)	(18.8)	(4.1)
Health care cost trend rate	0.5	21.6	4.7
Rate of return on plan assets	(0.5)	N/A	4.3
Rate of return on plan assets	0.5	N/A	(4.3)

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 6.87% in 2020, and 7.12% in 2019 and 2018. The actual rate of return on pension plan assets, net of fees, was 12.65%, 18.89%, and (4.30)%, in 2020, 2019, and 2018, 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 20, Employee Benefits.

Unbilled Revenues

We record utility operating revenues when energy 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. This unbilled revenue is estimated each month based upon actual generation and throughput volumes, recorded sales, estimated customer usage by class, weather factors, estimated line losses, and applicable customer rates. Significant fluctuations in energy demand for the unbilled period or changes in the composition of customer classes could impact the accuracy of the unbilled revenue estimate. Total utility operating revenues during 2020 of approximately \$7.2 billion included unbilled utility revenues of \$499.5 million as of December 31, 2020.

Income Tax Expense

We are required to estimate income taxes for each of the jurisdictions in which we operate 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 and the outcomes of tax audits and appeals 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. 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.

Significant management judgment is required in determining our provision for income taxes, deferred income tax assets and liabilities, the 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 across multiple taxing jurisdictions. Significant changes in these assumptions could have a material impact on our financial condition and results of operations. See Note 1(q), Income Taxes, and Note 16, Income Taxes, for a discussion of accounting for income taxes.

We expect our 2021 annual effective tax rate to be between 13% and 14%, which includes an estimated 6% effective tax rate benefit due to the amortization of unprotected excess deferred taxes in connection with the 2019 Wisconsin rate orders. Excluding this estimated effective tax rate benefit, the expected 2021 range would be between 19% and 20%.

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(r), Fair Value Measurements, Note 1(s), Derivative Instruments, and Note 19, Guarantees, for information concerning potential market risks to which we are exposed.

WEC ENERGY GROUP, INC.
CONSOLIDATED INCOME STATEMENTS

Year Ended December 31 (in millions, except per share amounts)	2020	2019	2018
Operating revenues	\$ 7,241.7	\$ 7,523.1	\$ 7,679.5
Operating expenses			
Cost of sales	2,319.5	2,678.8	2,897.9
Other operation and maintenance	2,032.2	2,184.8	2,270.5
Depreciation and amortization	975.9	926.3	845.8
Property and revenue taxes	208.0	201.8	196.9
Total operating expenses	5,535.6	5,991.7	6,211.1
Operating income	1,706.1	1,531.4	1,468.4
Equity in earnings of transmission affiliates	175.8	127.6	136.7
Other income, net	79.5	102.2	70.3
Interest expense	493.7	501.5	445.1
Loss on debt extinguishment	38.4	—	—
Other expense	(276.8)	(271.7)	(238.1)
Income before income taxes	1,429.3	1,259.7	1,230.3
Income tax expense	227.9	125.0	169.8
Net income	1,201.4	1,134.7	1,060.5
Preferred stock dividends of subsidiary	1.2	1.2	1.2
Net (income) loss attributed to noncontrolling interests	(0.3)	0.5	—
Net income attributed to common shareholders	\$ 1,199.9	\$ 1,134.0	\$ 1,059.3
Earnings per share			
Basic	\$ 3.80	\$ 3.60	\$ 3.36
Diluted	\$ 3.79	\$ 3.58	\$ 3.34
Weighted average common shares outstanding			
Basic	315.4	315.4	315.5
Diluted	316.5	316.7	316.9

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

WEC ENERGY GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31 (in millions)	2020	2019	2018
Net income	\$ 1,201.4	\$ 1,134.7	\$ 1,060.5
Other comprehensive income (loss), net of tax			
Derivatives accounted for as cash flow hedges			
Net derivative loss, net of tax benefit of \$1.6, \$1.3, and \$0.8, respectively	(4.3)	(3.5)	(2.1)
Reclassification of net (gain) loss to net income, net of tax	1.5	(0.8)	(1.2)
Cumulative effect adjustment from adoption of ASU 2018-02	—	—	1.6
Cash flow hedges, net	(2.8)	(4.3)	(1.7)
Defined benefit plans			
Pension and OPEB adjustments arising during the period, net of tax expense (benefit) of \$(0.2), \$1.0, and \$(1.2), respectively	(0.5)	2.6	(3.1)
Amortization of pension and OPEB costs included in net periodic benefit cost, net of tax	0.6	0.2	0.3
Cumulative effect adjustment from adoption of ASU 2018-02	—	—	(1.0)
Defined benefit plans, net	0.1	2.8	(3.8)
Other comprehensive loss, net of tax	(2.7)	(1.5)	(5.5)
Comprehensive income	1,198.7	1,133.2	1,055.0
Preferred stock dividends of subsidiary	1.2	1.2	1.2
Comprehensive (income) loss attributed to noncontrolling interests	(0.3)	0.5	—
Comprehensive income attributed to common shareholders	\$ 1,197.2	\$ 1,132.5	\$ 1,053.8

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

WEC ENERGY GROUP, INC.
CONSOLIDATED BALANCE SHEETS

At December 31 (in millions, except share and per share amounts)	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 24.8	\$ 37.5
Accounts receivable and unbilled revenues, net of reserves of \$220.1 and \$140.0, respectively	1,202.8	1,176.5
Materials, supplies, and inventories	528.6	549.8
Prepayments	263.4	261.8
Other	63.4	68.0
Current assets	2,083.0	2,093.6
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation and amortization of \$9,364.7 and \$8,878.7, respectively	25,707.4	23,620.1
Regulatory assets	3,524.1	3,506.7
Equity investment in transmission affiliates	1,764.3	1,720.8
Goodwill	3,052.8	3,052.8
Other	896.5	957.8
Long-term assets	34,945.1	32,858.2
Total assets	\$ 37,028.1	\$ 34,951.8
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 1,776.9	\$ 830.8
Current portion of long-term debt	785.8	693.2
Accounts payable	880.7	908.1
Accrued payroll and benefits	174.0	199.8
Other	530.7	550.8
Current liabilities	4,148.1	3,182.7
Long-term liabilities		
Long-term debt	11,728.1	11,211.0
Deferred income taxes	4,059.8	3,769.3
Deferred revenue, net	412.2	497.1
Regulatory liabilities	3,928.1	3,992.8
Environmental remediation liabilities	532.9	589.2
Pension and OPEB obligations	327.0	326.2
Other	1,229.4	1,128.9
Long-term liabilities	22,217.5	21,514.5
Commitments and contingencies (Note 24)		
Common shareholders' equity		
Common stock – \$0.01 par value; 325,000,000 shares authorized; 315,434,531 shares outstanding	3.2	3.2
Additional paid in capital	4,143.7	4,186.6
Retained earnings	6,329.6	5,927.7
Accumulated other comprehensive loss	(6.8)	(4.1)
Common shareholders' equity	10,469.7	10,113.4
Preferred stock of subsidiary	30.4	30.4
Noncontrolling interests	162.4	110.8
Total liabilities and equity	\$ 37,028.1	\$ 34,951.8

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

WEC ENERGY GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 (in millions)	2020	2019	2018
Operating activities			
Net income	\$ 1,201.4	\$ 1,134.7	\$ 1,060.5
Reconciliation to cash provided by operating activities			
Depreciation and amortization	975.9	926.3	845.8
Deferred income taxes and ITCs, net	209.4	162.9	297.3
Contributions and payments related to pension and OPEB plans	(113.2)	(65.9)	(77.6)
Equity income in transmission affiliates, net of distributions	(29.1)	(2.9)	(18.6)
Change in –			
Accounts receivable and unbilled revenues, net	16.1	98.2	23.5
Materials, supplies, and inventories	21.2	(1.5)	(8.8)
Other current assets	13.4	(7.1)	(10.0)
Accounts payable	(61.3)	1.5	110.6
Other current liabilities	(41.2)	78.7	(67.6)
Other, net	3.4	20.6	290.4
Net cash provided by operating activities	2,196.0	2,345.5	2,445.5
Investing activities			
Capital expenditures	(2,238.8)	(2,260.8)	(2,115.7)
Acquisition of Blooming Grove, net of restricted cash acquired of \$24.1	(364.6)	—	—
Acquisition of Tatanka Ridge	(239.9)	—	—
Acquisition of Upstream, net of cash and restricted cash acquired of \$9.2	—	(268.2)	—
Acquisition of Bishop Hill III, net of restricted cash acquired of \$4.5	—	—	(162.9)
Acquisition of Forward Wind Energy Center	—	—	(77.1)
Acquisition of Coyote Ridge	—	—	(61.4)
Capital contributions to transmission affiliates	(21.2)	(52.6)	(53.5)
Proceeds from the sale of assets and businesses	20.3	37.6	12.1
Proceeds from the sale of investments held in rabbi trust	56.2	0.2	118.6
Purchase of investments held in rabbi trust	(37.8)	—	(65.0)
Reimbursement for ATC's construction costs	1.1	32.4	—
Insurance proceeds received for property damage	23.2	—	—
Other, net	(5.3)	16.5	20.5
Net cash used in investing activities	(2,806.8)	(2,494.9)	(2,384.4)
Financing activities			
Exercise of stock options	43.8	67.0	29.1
Purchase of common stock	(99.2)	(140.1)	(72.4)
Dividends paid on common stock	(798.0)	(744.5)	(697.3)
Issuance of long-term debt	2,373.6	1,895.0	1,740.0
Retirement of long-term debt	(1,767.0)	(360.1)	(953.3)
Issuance of short-term loan	340.0	—	—
Change in other short-term debt	606.1	(609.3)	(4.5)
Payments for debt extinguishment and issuance costs	(55.8)	(12.5)	(9.5)
Purchase of additional ownership interest in Upstream from noncontrolling interest	(31.0)	—	—
Other, net	(11.4)	(9.9)	(5.7)
Net cash provided by financing activities	601.1	85.6	26.4
Net change in cash, cash equivalents, and restricted cash	(9.7)	(63.8)	87.5
Cash, cash equivalents, and restricted cash at beginning of year	82.3	146.1	58.6
Cash, cash equivalents, and restricted cash at end of year	\$ 72.6	\$ 82.3	\$ 146.1

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

WEC ENERGY GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY

<i>(in millions, except per share amounts)</i>	WEC Energy Group Common Shareholders' Equity							
	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Common Shareholders' Equity	Preferred Stock of Subsidiary	Non-controlling Interests	Total Equity
Balance at December 31, 2017	\$ 3.2	\$ 4,278.5	\$ 5,176.8	\$ 2.9	\$ 9,461.4	\$ 30.4	\$ —	\$ 9,491.8
Net income attributed to common shareholders	—	—	1,059.3	—	1,059.3	—	—	1,059.3
Other comprehensive loss	—	—	—	(6.1)	(6.1)	—	—	(6.1)
Common stock dividends of \$2.21 per share	—	—	(697.3)	—	(697.3)	—	—	(697.3)
Exercise of stock options	—	29.1	—	—	29.1	—	—	29.1
Purchase of common stock	—	(72.4)	—	—	(72.4)	—	—	(72.4)
Cumulative effect adjustment from ASU 2018-02 adoption	—	—	(0.6)	0.6	—	—	—	—
Acquisition of noncontrolling interests	—	—	—	—	—	—	23.8	23.8
Stock-based compensation and other	—	14.9	—	—	14.9	—	(0.4)	14.5
Balance at December 31, 2018	\$ 3.2	\$ 4,250.1	\$ 5,538.2	\$ (2.6)	\$ 9,788.9	\$ 30.4	\$ 23.4	\$ 9,842.7
Net income attributed to common shareholders	—	—	1,134.0	—	1,134.0	—	—	1,134.0
Net loss attributed to noncontrolling interests	—	—	—	—	—	—	(0.5)	(0.5)
Other comprehensive loss	—	—	—	(1.5)	(1.5)	—	—	(1.5)
Common stock dividends of \$2.36 per share	—	—	(744.5)	—	(744.5)	—	—	(744.5)
Exercise of stock options	—	67.0	—	—	67.0	—	—	67.0
Purchase of common stock	—	(140.1)	—	—	(140.1)	—	—	(140.1)
Acquisition of a noncontrolling interest	—	—	—	—	—	—	69.0	69.0
Capital contributions from noncontrolling interest	—	—	—	—	—	—	21.0	21.0
Distributions to noncontrolling interests	—	—	—	—	—	—	(2.1)	(2.1)
Stock-based compensation and other	—	9.6	—	—	9.6	—	—	9.6
Balance at December 31, 2019	\$ 3.2	\$ 4,186.6	\$ 5,927.7	\$ (4.1)	\$ 10,113.4	\$ 30.4	\$ 110.8	\$ 10,254.6
Net income attributed to common shareholders	—	—	1,199.9	—	1,199.9	—	—	1,199.9
Net income attributed to noncontrolling interests	—	—	—	—	—	—	0.3	0.3
Other comprehensive loss	—	—	—	(2.7)	(2.7)	—	—	(2.7)
Common stock dividends of \$2.53 per share	—	—	(798.0)	—	(798.0)	—	—	(798.0)
Exercise of stock options	—	43.8	—	—	43.8	—	—	43.8
Purchase of common stock	—	(99.2)	—	—	(99.2)	—	—	(99.2)
Purchase of additional ownership interest in Upstream from noncontrolling interest	—	—	—	—	—	—	(31.0)	(31.0)
Acquisition of noncontrolling interests	—	—	—	—	—	—	85.0	85.0
Distributions to noncontrolling interests	—	—	—	—	—	—	(2.7)	(2.7)
Stock-based compensation and other	—	12.5	—	—	12.5	—	—	12.5
Balance at December 31, 2020	\$ 3.2	\$ 4,143.7	\$ 6,329.6	\$ (6.8)	\$ 10,469.7	\$ 30.4	\$ 162.4	\$ 10,662.5

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

WEC ENERGY GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations—WEC Energy Group serves approximately 1.6 million electric customers and 3.0 million natural gas customers, and owns approximately 60% of ATC.

As used in these notes, the term "financial statements" refers to the consolidated financial statements. This includes the income statements, statements of comprehensive income, balance sheets, statements of cash flows, and statements of equity, unless otherwise noted. On our financial statements, we consolidate our majority-owned subsidiaries and reflect noncontrolling interests for the portion of entities that we do not own as a component of consolidated equity separate from the equity attributable to our shareholders. The noncontrolling interests that we reported as equity on our balance sheet as of December 31, 2020 related to the minority interests at Bishop Hill III, Coyote Ridge, Upstream, Blooming Grove, and Tatanka Ridge held by third parties.

Our financial statements include the accounts of WEC Energy Group, a diversified energy holding company, and the accounts of our subsidiaries in the following reportable segments:

- Wisconsin segment – Consists of WE, WPS, and WG, which are engaged primarily in the generation of electricity and the distribution of electricity and natural gas in Wisconsin; and UMERC, which generates electricity and distributes electricity and natural gas to customers located in the Upper Peninsula of Michigan.
- Illinois segment – Consists of PGL and NSG, which are engaged primarily in the distribution of natural gas in Illinois.
- Other states segment – Consists of MERC and MGU, which are engaged primarily in the distribution of natural gas in Minnesota and Michigan, respectively.
- Electric transmission segment – Consists of our approximate 60% ownership interest in ATC, a for-profit, electric transmission company regulated by the FERC and certain state regulatory commissions, and our approximate 75% ownership interest in ATC Holdco, which invests in transmission-related projects outside of ATC's traditional footprint.
- Non-utility energy infrastructure segment – Consists of We Power, which is principally engaged in the ownership of electric power generating facilities for long-term lease to WE, and Bluewater, which owns underground natural gas storage facilities in Michigan. WECl, which holds our ownership interests in several wind generating facilities, is also included in this segment. See Note 2, Acquisitions, for more information on the WECl wind generating facilities.
- Corporate and other segment – Consists of the WEC Energy Group holding company, the Integrys holding company, the PELLC holding company, Wispark, Wisvest, WECC, WBS, and PDL. See Note 3, Dispositions, for more information on the sale of our remaining PDL solar facilities.

Investments in companies not controlled by us, but over which we have significant influence regarding the operating and financial policies of the investee, are accounted for using the equity method. We use the cumulative earnings approach for classifying distributions received in the statements of cash flows. Under the cumulative earnings approach, we compare the distributions received to cumulative equity method earnings since inception. Any distributions received up to the amount of cumulative equity earnings are considered a return on investment and classified in operating activities. Any excess distributions are considered a return of investment and classified in investing activities.

Our financial statements also reflect our proportionate interests in certain jointly owned utility facilities. See Note 8, Jointly Owned Utility Facilities, for more information.

(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 4, Operating Revenues.

Revenues from Contracts with Customers

Electric Utility Operating Revenues – Electricity sales to residential and commercial and industrial customers are generally accomplished through requirements contracts, which provide for the delivery of as much electricity as the customer needs.

These contracts represent discrete deliveries of electricity and consist of one distinct performance obligation satisfied over time, as the electricity is delivered and consumed by the customer simultaneously. For our Wisconsin residential and commercial and industrial customers and the majority of our Michigan residential and commercial and industrial customers, our performance obligation is bundled to consist of both the sale and the delivery of the electric commodity. In our Michigan service territory, a limited number of residential and commercial and industrial customers can purchase the commodity from a third party. In this case, the delivery of the electricity represents our sole performance obligation.

The transaction price of the performance obligations for residential and commercial and industrial customers is valued using the rates, charges, terms, and conditions of service included in the tariffs of our regulated electric utilities, which have been approved by state regulators. 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 the quantity of electricity delivered each month. Our retail electric rates in Wisconsin include base amounts for fuel and purchased power costs, which also impact our revenues. The electric fuel rules set by the PSCW allow us to defer, for subsequent rate recovery or refund, under- or over-collections of actual fuel and purchased power costs beyond a 2% price variance from the costs included in the rates charged to customers. Our electric utilities monitor the deferral of under-collected costs to ensure that it does not cause them to earn a greater ROE than authorized by the PSCW. In contrast, the rates of our Michigan retail electric customers include recovery of fuel and purchased power costs on a one-for-one basis. In addition, the Wisconsin residential tariffs of WE and WPS include a mechanism for cost recovery or refund of uncollectible expense based on the difference between actual uncollectible write-offs and the amounts recovered in rates. See Note 26, Regulatory Environment, for more information on how COVID-19 has affected the cost recovery mechanisms for our utility companies.

Wholesale customers who resell power can choose to either bundle capacity and electricity services together under one contract with a supplier or purchase capacity and electricity separately from multiple suppliers. Furthermore, wholesale customers can choose to have our utilities provide generation to match the customer's load, similar to requirements contracts, or they can purchase specified quantities of electricity and capacity. Contracts with wholesale customers that include capacity bundled with the delivery of electricity contain two performance obligations, as capacity and electricity are often transacted separately in the marketplace at the wholesale level. When recognizing revenue associated with these contracts, the transaction price is allocated to each performance obligation based on its relative standalone selling price. Revenue is recognized as control of each individual component is transferred to the customer. Electricity is the primary product sold by our electric utilities and represents a single performance obligation satisfied over time through discrete deliveries to a customer. Revenue from electricity sales is generally recognized as units are produced and delivered to the customer within the production month. Capacity represents the reservation of an electric generating facility and conveys the ability to call on a plant to produce electricity when needed by the customer. The nature of our performance obligation as it relates to capacity is to stand ready to deliver power. This represents a single performance obligation transferred over time, which generally represents a monthly obligation. Accordingly, capacity revenue is recognized on a monthly basis.

The transaction price of the performance obligations for wholesale customers is valued using the rates, charges, terms, and conditions of service, which have been approved by the FERC. These wholesale rates include recovery of fuel and purchased power costs from customers on a one-for-one basis. For the majority of our wholesale customers, the price billed for energy and capacity is a formula-based rate. Formula-based rates initially set a customer's current year rates based on the previous year's expenses. This is a predetermined formula derived from the utility's costs and a reasonable rate of return. Because these rates are eventually trued up to reflect actual, current-year costs, they represent a form of variable consideration in certain circumstances. The variable consideration is estimated and recognized over time as wholesale customers receive and consume the capacity and electricity services.

We are an active participant in the MISO Energy Markets, where we bid our generation into the Day Ahead and Real Time markets and procure electricity for our retail and wholesale customers at prices determined by the MISO Energy Markets. Purchase and sale transactions are recorded using settlement information provided by MISO. These purchase and sale transactions are accounted for on a net hourly position. Net purchases in a single hour are recorded as purchased power in cost of sales and net sales in a single hour are recorded as resale revenues on our income statements. For resale revenues, our performance obligation is created only when electricity is sold into the MISO Energy Markets.

For all of our customers, 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.

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 the tariffs of our regulated utilities. 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. In certain of our service territories, 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 the tariffs of our regulated utilities, which have been approved by state regulators. 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.

The tariffs of our natural gas utilities include various rate mechanisms that allow them to recover or refund changes in prudently incurred costs from rate case-approved amounts. The rates for all of our natural gas utilities include one-for-one recovery mechanisms for natural gas commodity costs. 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, the rates of PGL and NSG, and the residential tariffs of WE, WPS, and WG, include riders or other mechanisms for cost recovery or refund of uncollectible expense based on the difference between actual uncollectible write-offs and the amounts recovered in rates. The rates of PGL and NSG include riders for cost recovery of both environmental cleanup costs, energy conservation and management program costs, and income tax expense changes resulting from the Tax Legislation. Finally, PGL's rates include a cost recovery mechanism for SMP costs, and similarly, MERC's rates include a rider to recover costs incurred to replace or modify natural gas facilities. See Note 26, Regulatory Environment, for more information on how COVID-19 has affected the cost recovery mechanisms for our company.

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 Natural Gas Operating Revenues – We have other natural gas operating revenues from Bluewater, which is in our non-utility energy infrastructure segment. Bluewater has entered into long-term service agreements for natural gas storage services with WE, WPS, and WG, and provides service to several unaffiliated customers. All amounts associated with services provided to affiliates have been eliminated at the consolidated level.

Other Non-Utility Operating Revenues – Wind generation revenues from WECI's ownership interests in wind generation facilities continued to grow with new acquisitions in 2020. See Note 2, Acquisitions, for more information on Blooming Grove and Tatanka Ridge, as well as the acquisition of other wind parks. Most of these wind generation facilities have offtake agreements with unaffiliated third parties for all of the energy to be produced by the facility, some of which are bundled with capacity and RECs. We consider bundled energy, capacity and RECs within these offtake agreements to be distinct performance obligations as each are often transacted separately in the marketplace. When recognizing revenue associated with these contracts, the transaction price is allocated to each performance obligation based on its relative standalone selling price. Revenue is recognized as control of each individual component is transferred to the customer. Revenue from the sale of this renewable energy is generally recognized as units are produced and delivered to the customer within the production month. Capacity represents the reservation of the renewable generation facility and conveys the ability to call on the wind facility to produce electricity when needed by the customer. The nature of our performance obligation as it relates to capacity is to stand ready to deliver power. This represents a single performance obligation transferred over time, which generally represents a monthly obligation. Accordingly, capacity revenue is recognized on a monthly basis. The performance obligation for RECs is recognized at a point-in-time; however, the timing of revenue recognition is the same, as the generation of renewable energy and sale of RECs occur concurrently.

As part of the construction of the We Power electric generating units, we capitalized interest during construction, which is included in property, plant, and equipment. As allowed by the PSCW, we collected these carrying costs from WE's utility customers during construction. The equity portion of these carrying costs was recorded as a contract liability, and we continually amortize the deferred carrying costs to revenues over the related lease term that We Power has with WE. During 2020, 2019, and 2018 we recorded \$22.9 million, \$25.4 million, and \$25.3 million, respectively, of revenues related to these deferred carrying costs. These contract liabilities are presented as deferred revenue, net on our balance sheets.

Non-utility operating revenues are also derived from servicing appliances for customers at MERC. These contracts customarily have a duration of one year or less and consist of a single performance obligation satisfied over time. We use a time-based output method to recognize revenues monthly for the service fee.

Revenues from distributed renewable solar projects consist primarily of sales of renewable energy and solar RECs generated by PDL. The sale of solar RECs is a distinct performance obligation as they are often sold separately from the renewable energy generated. Although the performance obligation for the sale of renewable energy is recognized over time and the performance obligation for solar RECs is recognized at a point-in-time, the timing of revenue recognition is the same, as the generation of

renewable energy and sales of solar RECs occur concurrently. See Note 3, Dispositions, for more information on the sale of our remaining PDL solar facilities.

Other Operating Revenues

Alternative Revenues – Alternative revenues are created from programs authorized by regulators that allow our utilities 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, other external factors, or demand side management initiatives. Alternative revenue programs can also provide incentive awards if the utility achieves certain objectives and in other limited circumstances. 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.

Below is a summary of the alternative revenue programs at our utilities:

- The rates of PGL, NSG, and MERC include decoupling mechanisms. These mechanisms differ by state and allow the utilities to recover or refund the differences between actual and authorized margins for certain customer classes. See Note 26, Regulatory Environment, for more information.
- PGL and NSG were authorized to implement a SPC rider for the recovery of incremental direct costs resulting from the COVID-19 pandemic, foregone late fees and reconnection charges, and the costs associated with their bill payment assistance programs. See Note 26, Regulatory Environment, for more information.
- MERC's rates include a conservation improvement program rider, which includes a financial incentive for meeting energy savings goals.
- WE and WPS provide wholesale electric service to customers under market-based rates and FERC formula rates. The customer is charged a base rate each year based upon a formula using prior year actual costs and customer demand. A true-up is calculated based on the difference between the amount billed to customers for the demand component of their rates and what the actual cost of service was for the year. The true-up can result in an amount that we will recover from or refund to the customer. We consider the true-up portion of the wholesale electric revenues to be alternative revenues.

(e) Credit Losses—The following discussion includes our significant accounting policies related to credit losses. For additional required disclosures on credit losses, see Note 5, Credit Losses.

Effective January 1, 2020, we adopted FASB ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, using the modified retrospective transition method. This ASU amends the impairment model to utilize an expected loss methodology in place of the incurred loss methodology for financial instruments, including trade receivables. The amendment requires entities to consider a broader range of information to estimate expected credit losses, which may result in earlier recognition of loss. The cumulative effect of adopting this standard was not significant to our financial statements.

Our exposure to credit losses is related to our accounts receivable and unbilled revenue balances, which are primarily generated from the sale of electricity and natural gas by our regulated utility operations. Credit losses associated with our utility operations are analyzed at the reportable segment level as we believe contract terms, political and economic risks, and the regulatory environment are similar at this level as our reportable segments are generally based on the geographic location of the underlying utility operations.

We have an accounts receivable and unbilled revenue balance associated with our non-utility energy infrastructure segment, related to the sale of electricity from our majority-owned wind generating facilities through agreements with several large high credit quality counterparties. At the corporate and other segment, we had an accounts receivable and unbilled revenue balance at the beginning of 2020 related to the PDL residential solar facilities, which were sold in November 2020. See Note 3, Dispositions, for more information.

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 our regulators 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. See Note 26, Regulatory Environment, for information on certain regulatory actions that were and/or are being taken for the purpose of ensuring that essential utility services are available to our customers during the COVID-19 pandemic.

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

<i>(in millions)</i>	2020	2019
Natural gas in storage	\$ 224.9	\$ 227.7
Materials and supplies	218.1	234.2
Fossil fuel	85.6	87.9
Total	\$ 528.6	\$ 549.8

PGL and NSG price natural gas storage injections at the calendar year average of the costs of natural gas supply purchased. Withdrawals from storage are priced on the LIFO cost method. Inventories stated on a LIFO basis represented approximately 22% and 19% of total inventories at December 31, 2020 and 2019, respectively. The estimated replacement cost of natural gas in inventory at December 31, 2020 and 2019, exceeded the LIFO cost by \$31.5 million and \$9.8 million, respectively. In calculating these replacement amounts, PGL and NSG used a Chicago city-gate natural gas price per Dth of \$2.31 at December 31, 2020, and \$1.95 at December 31, 2019.

Substantially all other natural gas in storage, materials and supplies, and fossil fuel inventories are recorded using the weighted-average cost method of accounting.

(g) Regulatory Assets and Liabilities—The economic effects of regulation can result in regulated companies recording costs and revenues that are allowed in the rate-making process in a period different from the period they would have been recognized by a nonregulated company. When this occurs, regulatory assets and regulatory 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 our regulators 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 6, 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 both debt and equity components of AFUDC. 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 applicable regulators. Annual utility composite depreciation rates are shown below:

Annual Utility Composite Depreciation Rates	2020	2019	2018
WE	3.19%	3.11%	3.18%
WPS	2.63%	2.44%	2.50%
WG	2.33%	2.29%	2.30%
PGL	3.16%	3.20%	3.25%
NSG	2.48%	2.48%	2.45%
MERC ⁽¹⁾	2.47%	2.33%	1.95%
MGU	2.67%	2.54%	2.61%
UMERC	2.97%	2.87%	2.50%

⁽¹⁾ The 2018 rate reflects the impact of a new depreciation study approved by the MPUC in May 2018. The rates approved were effective retroactive to January 2017. An approximate \$1.4 million reduction in depreciation expense was recorded in 2018 related to this depreciation study.

We depreciate our We Power assets over the estimated useful life of the various property components. The components have useful lives of between 10 to 45 years for PWGS 1 and PWGS 2 and 10 to 55 years for ER 1 and ER 2.

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 the utilities 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 7, Property, Plant, and Equipment, for more information.

(i) Allowance for Funds Used During Construction—AFUDC is included in utility plant accounts and represents the cost of borrowed funds (AFUDC – Debt) used during plant construction, and a return on shareholders' capital (AFUDC – Equity) used for construction purposes. AFUDC – Debt is recorded as a reduction of interest expense, and AFUDC – Equity is recorded in other income, net.

The majority of AFUDC is recorded at WE, WPS, WBS, WG, and UMERC. Approximately 50% of WE's, WPS's, WG's, UMERC's, and WBS's retail jurisdictional CWIP expenditures are subject to the AFUDC calculation. The AFUDC calculation for WBS uses the WPS AFUDC retail rate, while our utilities' AFUDC rates are determined by their respective state commissions, each with specific requirements. Based on these requirements, our utilities did not record significant AFUDC for 2020, 2019, or 2018. Average AFUDC rates are shown below:

	2020	
	Average AFUDC Retail Rate	Average AFUDC Wholesale Rate
WE	8.68%	5.39%
WPS	7.55%	5.59%
WG	8.32%	N/A
UMERC	6.28%	N/A
WBS	7.55%	N/A

Our regulated utilities and WBS recorded the following AFUDC for the years ended December 31:

<i>(in millions)</i>	2020	2019	2018
AFUDC – Debt			
WE	\$ 2.6	\$ 1.5	\$ 1.5
WPS	4.6	2.4	1.9
WG	0.6	0.5	0.2
UMERC	—	1.3	2.4
WBS	0.1	0.1	0.2
Other	0.1	0.1	0.7
Total AFUDC – Debt	\$ 8.0	\$ 5.9	\$ 6.9
AFUDC – Equity			
WE	\$ 7.0	\$ 3.7	\$ 3.9
WPS	11.8	5.7	4.6
WG	1.6	1.3	0.6
UMERC	0.1	3.3	5.4
WBS	0.2	0.2	0.6
Other	0.2	0.2	0.1
Total AFUDC – Equity	\$ 20.9	\$ 14.4	\$ 15.2

(j) Cloud Computing Hosting Arrangements that are Service Contracts—We have entered into several cloud computing arrangements that are hosted service contracts as part of projects related to the continuous transformation of technology. These projects include, among other things, developing a centralized repository for data to improve analytics and reporting, targeted ERP systems, a project management tool, and a power generation employee scheduling system. We present prepaid hosting fees that are service contracts in either prepayments or other long-term assets on our balance sheets and amortize them as the hosting services are received. Amortization expense, as well as the fees associated with the hosting arrangements, is recorded in other operation and maintenance expense on our income statements.

At December 31, 2020, we had \$1.8 million of capitalized implementation costs related to cloud computing arrangements that are hosted service contracts. We amortize the implementation costs on a straight-line basis over the cloud computing service arrangement term once the component of the hosted service is ready for its intended use. Amortization for the year ended

December 31, 2020 was not significant. The presentation of the implementation costs, along with the related amortization, follows the prepaid hosting fees.

(k) Asset Impairment—Goodwill and other intangible assets with indefinite lives are subject to an annual impairment test. Interim impairment tests are performed when impairment indicators are present. During the third quarter of each year, we perform an annual impairment test at all of our reporting units that carry a goodwill balance. The carrying amount of the reporting unit's goodwill is considered not recoverable if the carrying amount of the reporting unit's net assets exceeds the reporting unit's fair value. An impairment loss is recorded for the excess of the carrying amount of the goodwill over its implied fair value. See Note 10, Goodwill and Intangibles, for more information.

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. These assessments require significant assumptions and judgments by management. 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, as well as assets within nonregulated operations that are proposed to be sold or are currently generating operating losses. An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds the fair value of the asset. 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 in comparison to the fair value of the asset.

When it becomes probable that a generating unit will be retired before the end of its useful life, we assess whether the generating unit meets the criteria for abandonment accounting. Generating units that are considered probable of abandonment are expected to cease operations in the near term, significantly before the end of their original estimated useful lives. If a generating unit meets the applicable criteria to be considered probable of abandonment, and the unit has been abandoned, we assess the likelihood of recovery of the remaining net book value of that generating unit at the end of each reporting period. If it becomes probable that regulators will disallow full recovery as well as a return on the remaining net book value of a generating unit that is either abandoned or probable of being abandoned, an impairment loss may be required. An impairment loss would be recorded if the remaining net book value of the generating unit is greater than the present value of the amount expected to be recovered from ratepayers, using an incremental borrowing rate. See Note 6, Regulatory Assets and Liabilities, for more information.

We periodically assess the recoverability of equity method investments when factors indicate the carrying amount of such assets may be impaired. Equity method investments are assessed for impairment by comparing the fair values of these investments to their carrying amounts if a fair value assessment was completed or by reviewing for the presence of impairment indicators. If an impairment exists, and it is determined to be other-than-temporary, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the investment's fair value.

(l) 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. For our regulated entities, 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 9, Asset Retirement Obligations, for more information.

(m) Intangible Liabilities—Our finite-lived intangible liabilities include revenue contracts, consisting of PPAs and a proxy revenue swap, in addition to interconnection agreements, which were all obtained through the acquisitions of wind generation facilities by WECL in our non-utility energy infrastructure segment. Intangible liabilities are amortized on a straight-line basis over their estimated useful life. Amortization of revenue contracts is recorded within operating revenues in the income statements. Amortization related to the interconnection agreements is recorded within other operation and maintenance in the income statements. The straight-line method of amortization is used because it best reflects the pattern in which the economic benefits of the intangibles are consumed or otherwise used. The amounts and useful lives assigned to intangible liabilities assumed impact the amount and timing of future amortization.

(n) Stock-Based Compensation—In accordance with the shareholder approved Omnibus Stock Incentive Plan, we provide long-term incentives through our equity interests to our 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 common stock, cash, or a combination thereof. The number of shares of common stock authorized for issuance under the plan was 34.3 million.

We recognize stock-based compensation expense on a straight-line basis over the requisite service period. Awards classified as equity awards are measured based on their grant-date fair value. Awards classified as liability awards are recorded at fair value each reporting period. We account for forfeitures as they occur, rather than estimating potential future forfeitures and recording them over the vesting period.

Stock Options

We grant non-qualified stock options that generally vest on a cliff-basis after three years. The exercise price of a stock option under the plan cannot be less than 100% of our common stock's fair market value on the grant date. Historically, all stock options have been granted with an exercise price equal to the fair market value of our common stock on the date of the grant. Options vest immediately upon retirement, death, or disability; however, they may not be exercised within six months of the grant date except in the event of a change in control. Options expire no later than 10 years from the date of the grant.

Our stock options are classified as equity awards. The fair value of our stock options was calculated using a binomial option-pricing model. The following table shows the estimated weighted-average fair value per stock option granted along with the weighted-average assumptions used in the valuation models:

	2020	2019	2018
Stock options granted	554,594	476,418	710,710
Estimated weighted-average fair value per stock option	\$ 10.94	\$ 8.60	\$ 7.71
Assumptions used to value the options:			
Risk-free interest rate	0.2% – 1.9%	2.5% – 2.7%	1.6% – 2.8%
Dividend yield	3.0 %	3.6 %	3.5 %
Expected volatility	16.3 %	17.0 %	18.0 %
Expected life (years)	8.6	8.5	5.9

The risk-free interest rate was based on the United States Treasury interest rate with a term consistent with the expected life of the stock options. The dividend yield was based on our dividend rate at the time of the grant and historical stock prices. Expected volatility and expected life assumptions were based on our historical experience.

Restricted Shares

Restricted shares granted to employees generally have a vesting period of three years with one-third of the award vesting on each anniversary of the grant date. Restricted shares granted to certain officers and all non-employee directors fully vest after one year.

Our restricted shares are classified as equity awards.

Performance Units

Officers and other key employees are granted performance units under the WEC Energy Group Performance Unit Plan. Under the plan, the ultimate number of units that will be awarded is dependent on our total shareholder return (stock price appreciation plus dividends) as compared to the total shareholder return of a peer group of companies over three years, as well as other performance metrics as may be determined by the Compensation Committee. Under the terms of the award, participants may earn between 0% and 175% of the performance unit award based on our total shareholder return. Pursuant to the terms of the plan, these percentages can be adjusted upwards or downwards based on our performance against additional performance measures, if any, adopted by the Compensation Committee. Performance units also accrue forfeitable dividend equivalents in the form of additional performance units.

All grants of performance units are settled in cash and are accounted for as liability awards accordingly. The fair value of the performance units reflects our estimate of the final expected value of the awards, which is based on our stock price and performance achievement under the terms of the award. Stock-based compensation costs are generally recorded over the performance period, which is three years.

See Note 11, Common Equity, for more information on our stock-based compensation plans.

(o) Earnings Per Share—We compute basic earnings per share by dividing our net income attributed to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed in a similar manner, but includes the exercise and/or conversion of all potentially dilutive securities. Such dilutive securities include

in-the-money stock options. The calculation of diluted earnings per share for the year ended December 31, 2020 excluded 207,445 stock options that had an anti-dilutive effect. There were no securities that had an anti-dilutive effect for the years ended December 31, 2019 and 2018.

(p) Leases—In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which revised the previous guidance (Topic 840) regarding accounting for leases. Revisions include requiring a lessee to recognize a lease asset and a lease liability on its balance sheet for each lease, including operating leases with an initial term greater than 12 months. In addition, required quantitative and qualitative disclosures related to lease agreements were expanded.

As required, we adopted Topic 842 effective January 1, 2019. We utilized the following practical expedients, which were available under ASU 2016-02, in our adoption of the new lease guidance.

- We did not reassess whether any expired or existing contracts were leases or contained leases.
- We did not reassess the lease classification for any expired or existing leases (that is, all leases that were classified as operating leases in accordance with Topic 840 continue to be classified as operating leases, and all leases that were classified as capital leases in accordance with Topic 840 are classified as finance leases).
- We did not reassess the accounting for initial direct costs for any existing leases.

We did not elect the practical expedient allowing entities to account for the nonlease components in lease contracts as part of the single lease component to which they were related. Instead, in accordance with ASC 842-10-15-31, our policy is to account for each lease component separately from the nonlease components of the contract.

We did not elect the practical expedient to use hindsight in determining the lease term and in assessing impairment of our right of use assets. No impairment losses were included in the measurement of our right of use assets upon our adoption of Topic 842.

In January 2018, the FASB issued ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842, which is an amendment to ASU 2016-02. Land easements (also commonly referred to as rights of way) represent the right to use, access or cross another entity's land for a specified purpose. This guidance permits an entity to elect a transitional practical expedient, to be applied consistently, to not evaluate under Topic 842 land easements that were already in existence or had expired at the time of the entity's adoption of Topic 842. Once Topic 842 is adopted, an entity is required to apply Topic 842 prospectively to all new (or modified) land easements to determine whether the arrangement should be accounted for as a lease. We elected this practical expedient, resulting in none of our land easements being treated as leases upon our adoption of Topic 842.

In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which amends ASU 2016-02 and allows entities the option to initially apply Topic 842 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, if required. We used the optional transition method to apply this guidance as of January 1, 2019, rather than as of the earliest period presented. We did not require a cumulative-effect adjustment upon adoption of Topic 842.

Right of use assets and related lease liabilities related to our operating leases that were recorded upon adoption of Topic 842 were \$49.0 million and \$48.8 million, respectively. Regarding our PPA that meets the criteria of a finance lease, while the adoption of Topic 842 changed the classification of expense related to this lease on a prospective basis, it had no impact on the total amount of lease expense recorded, and did not impact the lease asset and related liability amounts recorded on our balance sheets.

Significant Judgments and Other Information

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 electric power and natural gas equipment. The majority of payments we make related to easements relate to our wind generating facilities. 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.

As of February 25, 2021, we have not entered into any material leases that have not yet commenced.

See Note 15, Leases, for more information.

(q) Income Taxes—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 associated with regulated operations are deferred and amortized over the life of the assets. PTCs are recognized in the period in which such credits are generated. The amount of the credit is based upon power production from our qualifying generation facilities. We file a consolidated federal income tax return. Accordingly, we allocate federal current tax expense, benefits, and credits to our subsidiaries based on their separate tax computations and our ability to monetize all credits on our consolidated federal return. See Note 16, Income Taxes, for more information.

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

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income. The amendments in this update allowed entities to reclassify the income tax effects that are stranded in accumulated other comprehensive income as a result of the Tax Legislation to retained earnings. These amendments were effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We early adopted the amendments in the fourth quarter of 2018 and reclassified the stranded tax effects associated with the Tax Legislation from accumulated other comprehensive income to retained earnings. As of December 31, 2018, our accumulated other comprehensive income decreased \$0.6 million as a result of adopting ASU 2018-02. The adoption of this guidance had no impact on our results of operations or cash flows.

(r) 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 17, Fair Value Measurements, for more information.

(s) Derivative Instruments—We use derivatives as part of our risk management program to manage the risks associated with the price volatility of interest rates, purchased power, generation, and natural gas costs for the benefit of our customers and shareholders. Our approach is non-speculative and designed to mitigate risk. Regulated hedging programs are approved by our state regulators.

We record derivative instruments on our balance sheets as assets or liabilities 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 energy-related physical and financial contracts in our regulated operations that qualify as derivatives, our regulators allow 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 other current assets. See Note 18, Derivative Instruments, for more information.

(t) Guarantees—We follow the guidance of the Guarantees Topic of the FASB ASC, which requires, under certain circumstances, that the guarantor recognize a liability for the fair value of the obligation undertaken in issuing the guarantee at its inception. See Note 19, Guarantees, for more information.

(u) Employee Benefits—The costs of pension and OPEB are expensed over the periods during which employees render service. These costs are distributed among our subsidiaries based on current employment status and actuarial calculations, as applicable. Our regulators allow recovery in rates for the utilities' net periodic benefit cost calculated under GAAP. See Note 20, Employee Benefits, for more information.

(v) 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 recorded within other current liabilities on our balance sheets.

(w) 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 coal combustion residual landfills and manufactured gas plant sites. See Note 9, Asset Retirement Obligations, for more information regarding coal combustion residual landfills and Note 24, Commitments and Contingencies, for more information regarding manufactured gas plant sites.

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.

Our utilities 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 applicable state regulatory commission's approval.

We review our estimated costs of remediation annually for our manufactured gas plant sites and coal combustion residual landfills. 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.

(x) 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. Credit risk exposure at WE, WPS, WG, PGL, and NSG is mitigated by their recovery mechanisms 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, 2020. In addition, there were no customers that accounted for more than 10% of our revenues for the year ended December 31, 2020.

NOTE 2—ACQUISITIONS

On January 1, 2018, we adopted ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01). The amendments in this update clarify the definition of a business and provide guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 also clarifies that transaction costs are capitalized in an asset acquisition but expensed in a business combination.

The purchase price of certain acquisitions below includes intangibles recorded as long-term liabilities related to PPAs and interconnection agreements. See Note 10, Goodwill and Intangibles, for more information.

Acquisition of Wind Generation Facilities in South Dakota

In December 2020, WECl completed the acquisition of an 85% ownership interest in Tatanka Ridge, a 155 MW wind generating facility in Deuel County, South Dakota, that became commercially operational in January 2021. WECl's total investment was \$239.9 million, which included transaction costs. Tatanka Ridge has offtake agreements for all the energy produced with an affiliate of an investment grade multinational company for 12 years and a well-established electric cooperative that serves utilities in multiple states for 10 years. Under the Tax Legislation, WECl's investment in Tatanka Ridge qualifies for PTCs. WECl is entitled to 99% of the tax benefits related to this facility for the first 11 years of commercial operation, after which we will be entitled to tax benefits equal to our ownership interest. Tatanka Ridge is included in the non-utility energy infrastructure segment.

The table below shows the allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition.

<i>(in millions)</i>	
Current assets	\$ 37.3
Net property, plant, and equipment	301.2
Current liabilities	(37.3)
Long-term liabilities	(19.3)
Noncontrolling interest	(42.0)
Total purchase price	\$ 239.9

In December 2018, WECl acquired an 80% ownership interest in Coyote Ridge, a 96.7 MW wind generating facility located in Brookings County, South Dakota, for \$61.4 million, which included transaction costs. In December 2019, Coyote Ridge achieved commercial operation and WECl made an additional investment of \$84.0 million related to capital expenditures for the project for a total investment of \$145.4 million. The project has an offtake agreement with an unaffiliated third party for all of the energy produced for 12 years. Under the Tax Legislation, WECl's investment in Coyote Ridge qualifies for PTCs. WECl is entitled to 99% of the tax benefits related to this facility for the first 11 years of commercial operation, after which we will be entitled to tax benefits equal to our ownership interest. Coyote Ridge is included in the non-utility energy infrastructure segment.

The table below shows the allocation of the purchase price to the assets acquired at the date of the acquisition.

<i>(in millions)</i>	
Net property, plant, and equipment	\$ 66.4
Noncontrolling interest	(5.0)
Total purchase price	\$ 61.4

Acquisition of Wind Generation Facilities in Nebraska

In August 2019, WECl signed an agreement to acquire an 80% ownership interest in Thunderhead, a 300 MW wind generating facility under construction in Antelope and Wheeler counties in Nebraska, for a total investment of approximately \$338 million. In February 2020, WECl agreed to acquire an additional 10% ownership interest in Thunderhead for \$43 million. The project has an offtake agreement with an unaffiliated third party for all of the energy to be produced by the facility for 12 years. Under the Tax Legislation, WECl's investment in Thunderhead is expected to qualify for PTCs. The transaction was approved by FERC in April 2020, and commercial operation was initially expected to begin by the end of 2020. However, due to a court ruling suspending a key permit and the subsequent decision by the local utility to suspend construction of the required substation, the commercial operation of Thunderhead could be delayed until as late as the fall of 2021. The transaction is expected to close upon commercial operation. Thunderhead will be included in the non-utility energy infrastructure segment.

In January 2019, WECl completed the acquisition of an 80% ownership interest in Upstream, a commercially operational 202.5 MW wind generating facility, for \$268.2 million, which included transaction costs and is net of cash and restricted cash acquired of \$9.2 million. In February 2020, WECl signed an agreement to acquire an additional 10% ownership interest in Upstream for \$31.0 million. Upstream is located in Antelope County, Nebraska and supplies energy to the Southwest Power Pool. Upstream's revenue will be substantially fixed over 10 years through an agreement with an unaffiliated third party. Under

the Tax Legislation, WECl's investment in Upstream qualifies for PTCs. Upstream is included in the non-utility energy infrastructure segment.

The table below shows the allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition of the initial 80% ownership interest in Upstream.

(in millions)

Current assets	\$ 0.4
Net property, plant, and equipment	341.6
Other long-term assets	14.8
Current liabilities	(4.6)
Long-term liabilities	(15.0)
Noncontrolling interest	(69.0)
Total purchase price	\$ 268.2

Acquisition of Wind Generation Facilities in Illinois

In December 2020, WECl completed the acquisition of a 90% ownership interest in Blooming Grove, a commercially operational 250 MW wind generating facility in McLean County, Illinois, for a total investment of \$364.6 million, which includes transaction costs and is net of restricted cash acquired of \$24.1 million. Blooming Grove has offtake agreements for all the energy produced with affiliates of two investment grade multinational companies for 12 years. Under the Tax Legislation, WECl's investment in Blooming Grove qualifies for PTCs. Blooming Grove is included in the non-utility energy infrastructure segment.

The table below shows the allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition.

(in millions)

Net property, plant, and equipment	\$ 471.6
Long-term liabilities	(64.0)
Noncontrolling interest	(43.0)
Total purchase price	\$ 364.6

In August 2018, WECl completed the acquisition of an 80% ownership interest in Bishop Hill III, a commercially operational 132.1 MW wind generating facility located in Henry County, Illinois, for \$144.7 million, which includes transaction costs and is net of restricted cash acquired of \$4.5 million. In December 2018, WECl completed the acquisition of an additional 10% ownership interest in Bishop Hill III for \$18.2 million, for a total purchase price of \$162.9 million. Bishop Hill III has an offtake agreement with an unaffiliated company for the sale of all of the energy produced by the facility for 22 years. Under the Tax Legislation, WECl's investment in Bishop Hill III qualifies for PTCs. Bishop Hill III is included in the non-utility energy infrastructure segment.

The table below shows the allocation of the purchase price to the assets acquired and liabilities assumed at the date of the acquisition.

(in millions)

Current assets	\$ 1.4
Net property, plant, and equipment	190.2
Current liabilities	(1.6)
Long-term liabilities	(8.3)
Noncontrolling interest	(18.8)
Total purchase price	\$ 162.9

Acquisition of a Wind Generation Facility in Wisconsin

In April 2018, WPS, along with two unaffiliated utilities, completed the purchase of Forward Wind Energy Center, which consists of 86 wind turbines located in Wisconsin with a total capacity of 138 MW. The aggregate purchase price was \$172.9 million of which WPS's proportionate share was 44.6%, or \$77.1 million. In addition, WPS incurred \$1.9 million of transaction costs that were recorded as a regulatory asset. Since 2008 and up until the acquisition, WPS purchased 44.6% of the facility's energy output under a PPA. This acquisition was accounted for as an asset acquisition.

The table below shows the allocation of the purchase price to the assets acquired at the date of the acquisition, which are included in rate base.

<i>(in millions)</i>	
Current assets	\$ 0.2
Net property, plant, and equipment	76.9
Total purchase price	\$ 77.1

Under a joint ownership agreement with the two other utilities, WPS is entitled to its share of generating capability and output of the facility equal to its ownership interest. WPS is also paying its ownership share of additional capital expenditures and operating expenses. Forward Wind Energy Center is included in the Wisconsin segment. See Note 8, Jointly Owned Utility Facilities, for more information.

NOTE 3—DISPOSITIONS

Corporate and Other Segment

Sale of Certain WPS Power Development, LLC Solar Power Generation Facilities

In November 2020, we sold a portfolio of residential solar facilities owned by PDL for \$10.5 million. These solar facilities were located in California and Hawaii. During the fourth quarter of 2020, we recorded an after-tax gain on the sale of \$3.0 million primarily related to the recognition of deferred ITCs, which were included as a reduction of income tax expense on our income statements. The assets included in the sale were not material and, therefore, were not presented as held for sale. The results of operations of these facilities remained in continuing operations through the sale date as the sale did not represent a shift in our corporate strategy and did not have a major effect on our operations and financial results.

In 2019, we sold four solar power generation facilities owned by PDL for \$26.3 million. These solar facilities were located in Massachusetts. In 2019, we recorded an after-tax gain on the sales of \$6.5 million primarily related to the recognition of deferred ITCs, which were included as a reduction of income tax expense on our income statements. The assets included in the sales were not material and, therefore, were not presented as held for sale. The results of operations of these facilities remained in continuing operations through the sale dates as the sales did not represent a shift in our corporate strategy and did not have a major effect on our operations and financial results.

NOTE 4—OPERATING REVENUES

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

Disaggregation of Operating Revenues

The following tables present our operating revenues disaggregated by revenue source. We do not have any revenues associated with our electric transmission segment, which includes investments accounted for using the equity method. 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 segments, revenues are further disaggregated by electric and natural gas operations and then by customer class. Each customer class within our electric and natural gas operations have different expectations of service, energy and demand requirements, and can be impacted differently by regulatory activities within their jurisdictions.

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Total Utility Operations	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
Year ended December 31, 2020								
Electric	\$ 4,266.1	\$ —	\$ —	\$ 4,266.1	\$ —	\$ —	\$ —	\$ 4,266.1
Natural gas	1,195.6	1,267.9	361.0	2,824.5	44.4	—	(42.0)	2,826.9
Total regulated revenues	5,461.7	1,267.9	361.0	7,090.6	44.4	—	(42.0)	7,093.0
Other non-utility revenues	—	—	17.1	17.1	66.6	1.7	(9.1)	76.3
Total revenues from contracts with customers	5,461.7	1,267.9	378.1	7,107.7	111.0	1.7	(51.1)	7,169.3
Other operating revenues	11.8	54.0	6.0	71.8	397.5	0.5	(397.4)	72.4
Total operating revenues	\$ 5,473.5	\$ 1,321.9	\$ 384.1	\$ 7,179.5	\$ 508.5	\$ 2.2	\$ (448.5)	\$ 7,241.7

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Total Utility Operations	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
Year ended December 31, 2019								
Electric	\$ 4,307.7	\$ —	\$ —	\$ 4,307.7	\$ —	\$ —	\$ —	\$ 4,307.7
Natural gas	1,324.1	1,332.4	411.6	3,068.1	47.4	—	(44.1)	3,071.4
Total regulated revenues	5,631.8	1,332.4	411.6	7,375.8	47.4	—	(44.1)	7,379.1
Other non-utility revenues	—	0.1	16.6	16.7	55.2	4.0	(5.7)	70.2
Total revenues from contracts with customers	5,631.8	1,332.5	428.2	7,392.5	102.6	4.0	(49.8)	7,449.3
Other operating revenues	15.3	24.6	(2.2)	37.7	393.3	0.4	(357.6)	73.8
Total operating revenues	\$ 5,647.1	\$ 1,357.1	\$ 426.0	\$ 7,430.2	\$ 495.9	\$ 4.4	\$ (407.4)	\$ 7,523.1

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Total Utility Operations	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
Year ended December 31, 2018								
Electric	\$ 4,432.4	\$ —	\$ —	\$ 4,432.4	\$ —	\$ —	\$ —	\$ 4,432.4
Natural gas	1,350.6	1,406.9	428.4	3,185.9	45.4	—	(36.4)	3,194.9
Total regulated revenues	5,783.0	1,406.9	428.4	7,618.3	45.4	—	(36.4)	7,627.3
Other non-utility revenues	—	0.2	16.1	16.3	34.6	7.9	(5.8)	53.0
Total revenues from contracts with customers	5,783.0	1,407.1	444.5	7,634.6	80.0	7.9	(42.2)	7,680.3
Other operating revenues	11.7	(7.1)	(6.3)	(1.7)	388.4	0.8	(388.3)	(0.8)
Total operating revenues	\$ 5,794.7	\$ 1,400.0	\$ 438.2	\$ 7,632.9	\$ 468.4	\$ 8.7	\$ (430.5)	\$ 7,679.5

Revenues from Contracts with Customers

Electric Utility Operating Revenues – The following table disaggregates electric utility operating revenues into customer class:

<i>(in millions)</i>	Electric Utility Operating Revenues		
	Year Ended December 31		
	2020	2019	2018
Residential	\$ 1,743.9	\$ 1,608.6	\$ 1,636.3
Small commercial and industrial	1,325.9	1,384.6	1,408.6
Large commercial and industrial	821.5	871.9	912.2
Other	29.0	29.6	29.9
Total retail revenues	3,920.3	3,894.7	3,987.0
Wholesale	174.0	189.5	210.1
Resale	130.4	163.1	192.2
Steam	21.3	23.3	24.1
Other utility revenues	20.1	37.1	19.0
Total electric utility operating revenues	\$ 4,266.1	\$ 4,307.7	\$ 4,432.4

Natural Gas Utility Operating Revenues – The following tables disaggregate natural gas utility operating revenues into customer class:

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Total Natural Gas Utility Operating Revenues
Year ended December 31, 2020				
Residential	\$ 752.6	\$ 802.2	\$ 220.8	\$ 1,775.6
Commercial and industrial	338.1	221.0	115.8	674.9
Total retail revenues	1,090.7	1,023.2	336.6	2,450.5
Transport	79.1	215.6	31.5	326.2
Other utility revenues ⁽¹⁾	25.8	29.1	(7.1)	47.8
Total natural gas utility operating revenues	\$ 1,195.6	\$ 1,267.9	\$ 361.0	\$ 2,824.5

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Total Natural Gas Utility Operating Revenues
Year ended December 31, 2019				
Residential	\$ 837.9	\$ 857.8	\$ 258.2	\$ 1,953.9
Commercial and industrial	419.9	261.7	148.7	830.3
Total retail revenues	1,257.8	1,119.5	406.9	2,784.2
Transport	72.6	245.3	31.6	349.5
Other utility revenues ⁽¹⁾	(6.3)	(32.4)	(26.9)	(65.6)
Total natural gas utility operating revenues	\$ 1,324.1	\$ 1,332.4	\$ 411.6	\$ 3,068.1

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Total Natural Gas Utility Operating Revenues
Year ended December 31, 2018				
Residential	\$ 834.5	\$ 877.5	\$ 263.3	\$ 1,975.3
Commercial and industrial	436.7	266.9	140.0	843.6
Total retail revenues	1,271.2	1,144.4	403.3	2,818.9
Transport	70.8	244.1	31.8	346.7
Other utility revenues ⁽¹⁾	8.6	18.4	(6.7)	20.3
Total natural gas utility operating revenues	\$ 1,350.6	\$ 1,406.9	\$ 428.4	\$ 3,185.9

⁽¹⁾ Includes amounts collected from (refunded to) customers for purchased gas adjustment costs.

Other Natural Gas Operating Revenues – We have other natural gas operating revenues from Bluewater, which is in our non-utility energy infrastructure segment. Bluewater has entered into long-term service agreements for natural gas storage services with WE, WPS, and WG, and also provides limited service to unaffiliated customers. All amounts associated with services from affiliates have been eliminated at the consolidated level.

Other Non-Utility Operating Revenues – Other non-utility operating revenues consist primarily of the following:

<i>(in millions)</i>	Year Ended December 31		
	2020	2019	2018
Wind generation revenues	\$ 34.6	\$ 24.0	\$ 3.6
We Power revenues	22.9	25.4	25.3
Appliance service revenues	17.1	16.6	15.9
Distributed renewable solar project revenues	1.4	4.0	8.0
Other	0.3	0.2	0.2
Total other non-utility operating revenues	\$ 76.3	\$ 70.2	\$ 53.0

Other Operating Revenues

Other operating revenues consist primarily of the following:

<i>(in millions)</i>	Year Ended December 31		
	2020	2019	2018
Alternative revenues ⁽¹⁾	\$ 38.8	\$ (9.6)	\$ (45.6)
Late payment charges ⁽²⁾	29.4	43.7	40.3
Other	4.2	39.7	4.5
Total other operating revenues	\$ 72.4	\$ 73.8	\$ (0.8)

⁽¹⁾ Negative amounts can result from alternative revenues being reversed to revenues from contracts with customers as the customer is billed for these alternative revenues. Negative amounts can also result from revenues to be refunded to customers subject to decoupling mechanisms, wholesale true-ups, conservation improvement rider true-ups, and certain late payment charges, as discussed in Note 1(d), Operating Revenues.

⁽²⁾ The reduction in late payment charges is a result of various regulatory orders from our utility commissions in response to the COVID-19 pandemic, which include the suspension of late payment charges during a designated time period. PGL and NSG were authorized to implement a SPC rider for the recovery of these late payment charges related to COVID-19, thereby allowing them to record these late payment charges as alternative revenues. The total amount of late payment charges recorded as alternative revenues during the year ended December 31, 2020 was \$8.5 million. See Note 26, Regulatory Environment, for more information.

NOTE 5—CREDIT LOSSES

The table below shows our gross third-party receivable balances and the related allowance for credit losses at December 31, 2020, by reportable segment.

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Total Utility Operations	Non-Utility Energy Infrastructure	Corporate and Other	WEC Energy Group Consolidated
Accounts receivable and unbilled revenues	\$ 899.8	\$ 393.9	\$ 79.8	\$ 1,373.5	\$ 45.0	\$ 4.4	\$ 1,422.9
Allowance for credit losses	102.1	111.6	6.4	220.1	—	—	220.1
Accounts receivable and unbilled revenues, net ⁽¹⁾	\$ 797.7	\$ 282.3	\$ 73.4	\$ 1,153.4	\$ 45.0	\$ 4.4	\$ 1,202.8
Total accounts receivable, net – past due greater than 90 days ⁽¹⁾	\$ 84.8	\$ 34.5	\$ 3.5	\$ 122.8	\$ —	\$ —	\$ 122.8
Past due greater than 90 days – collection risk mitigated by regulatory mechanisms ⁽¹⁾	97.6 %	100.0 %	— %	95.5 %	— %	— %	95.5 %

⁽¹⁾ Our exposure to credit losses for certain regulated utility customers is mitigated by regulatory mechanisms we have in place. Specifically, rates related to all of the customers in our Illinois segment, as well as the residential rates of WE, WPS, and WG in our Wisconsin segment, include riders or other mechanisms for cost recovery or refund of uncollectible expense based on the difference between the actual provision for credit losses and the amounts recovered in rates. As a result, at December 31, 2020, \$679.4 million, or 56.5%, of our net accounts receivable and unbilled revenues balance had regulatory protections in place to mitigate the exposure to credit losses. In addition, we have received specific orders related to the deferral of certain costs (including credit losses) incurred as a result of the COVID-19 pandemic. The additional protections related to our December 31, 2020 accounts receivable and unbilled revenue balances provided by these orders are subject to prudence reviews and are still being assessed. They are not reflected in the percentages in the above table or this note. See Note 26, Regulatory Environment, for more information on these orders.

A rollforward of the allowance for credit losses by reportable segment for the year ended December 31, 2020, is included below:

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Total Utility Operations	Corporate and Other	WEC Energy Group Consolidated
Balance at December 31, 2019	\$ 59.9	\$ 75.9	\$ 4.1	\$ 139.9	\$ 0.1	\$ 140.0
Provision for credit losses	47.5	51.1	4.3	102.9	—	102.9
Provision for credit losses deferred for future recovery or refund	24.6	30.6	—	55.2	—	55.2
Write-offs charged against the allowance	(65.9)	(63.0)	(3.4)	(132.3)	—	(132.3)
Recoveries of amounts previously written off	36.0	17.0	1.4	54.4	—	54.4
Sale of PDL residential solar facilities	—	—	—	—	(0.1)	(0.1)
Balance at December 31, 2020	\$ 102.1	\$ 111.6	\$ 6.4	\$ 220.1	\$ —	\$ 220.1

The increase in the allowance for credit losses at December 31, 2020, compared to December 31, 2019, was driven by higher past due accounts receivable balances at our utility segments, primarily related to residential customers. This increase in accounts receivable balances in arrears was driven by economic disruptions caused by the COVID-19 pandemic, including higher unemployment rates. Also, as a result of the COVID-19 pandemic and related regulatory orders we have received, we were unable to disconnect any of our Wisconsin and Illinois customers during the year ended December 31, 2020. See Note 26, Regulatory Environment, for more information.

NOTE 6—REGULATORY ASSETS AND LIABILITIES

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

<i>(in millions)</i>	2020	2019	See Note
Regulatory assets ^{(1) (2)}			
Pension and OPEB costs ⁽³⁾	\$ 1,101.6	\$ 1,066.6	20
Plant retirements	740.8	756.4	
Environmental remediation costs ⁽⁴⁾	638.2	685.5	24
Income tax related items	454.6	457.8	16
AROs	181.3	137.5	9
SSR ⁽⁵⁾	135.6	151.5	26
Securitization	105.2	100.0	26
Uncollectible expense	82.0	52.2	5
Derivatives	26.5	33.8	1(s)
We Power generation ⁽⁶⁾	7.6	25.8	
Other, net	70.7	60.5	
Total regulatory assets	\$ 3,544.1	\$ 3,527.6	

Balance sheet presentation

Other current assets	\$ 20.0	\$ 20.9	
Regulatory assets	3,524.1	3,506.7	
Total regulatory assets	\$ 3,544.1	\$ 3,527.6	

- (1) Based on prior and current rate treatment, we believe it is probable that our utilities will continue to recover from customers the regulatory assets in this table. In accordance with GAAP, our regulatory assets do not include the allowance for ROE that is capitalized for regulatory purposes. This allowance was \$34.2 million and \$24.3 million at December 31, 2020 and 2019, respectively.
- (2) As of December 31, 2020, we had \$238.8 million of regulatory assets not earning a return, \$9.7 million of regulatory assets earning a return based on short-term interest rates, and \$135.6 million of regulatory assets earning a return based on long-term interest rates. The regulatory assets not earning a return primarily relate to certain environmental remediation costs, uncollectible expense, COVID-19 deferred costs, our invested capital tax rider, unamortized loss on reacquired debt, and our electric real-time market pricing program. The other regulatory assets in the table either earn a return at the applicable utility's weighted average cost of capital or the cash has not yet been expended, in which case the regulatory assets are offset by liabilities.
- (3) 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.
- (4) As of December 31, 2020, we had made cash expenditures of \$105.3 million related to these environmental remediation costs. The remaining \$532.9 million represents our estimated future cash expenditures.
- (5) The rate order WE received from the PSCW in December 2019 authorized recovery of the SSR regulatory asset over a 15-year period that began on January 1, 2020.
- (6) Represents amounts recoverable from customers related to WE's costs of the generating units leased from We Power, including subsequent capital additions.

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

<i>(in millions)</i>	2020	2019	See Note
Regulatory liabilities			
Income tax related items	\$ 2,137.7	\$ 2,248.8	16
Removal costs ⁽¹⁾	1,221.1	1,181.5	
Pension and OPEB benefits ⁽²⁾	378.1	354.9	20
Electric transmission costs ^{(3) (4)}	78.5	42.2	
Energy costs refundable through rate adjustments	59.9	89.8	1(d)
Earnings sharing mechanisms ⁽³⁾	36.9	43.5	26
Uncollectible expense	25.5	39.1	5
Derivatives	16.4	6.7	1(s)
Energy efficiency programs ⁽⁵⁾	9.9	30.7	
Decoupling	5.2	36.8	1(d)
Other, net	9.9	6.4	
Total regulatory liabilities	\$ 3,979.1	\$ 4,080.4	

Balance sheet presentation

Other current liabilities	\$ 51.0	\$ 87.6	
Regulatory liabilities	3,928.1	3,992.8	
Total regulatory liabilities	\$ 3,979.1	\$ 4,080.4	

- (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 9, Asset Retirement Obligations, for more information on our legal obligations.
- (2) Primarily represents the unrecognized future pension and OPEB benefits related to our defined benefit pension and OPEB plans. We will amortize these regulatory liabilities into net periodic benefit cost over the average remaining service life of each plan.
- (3) Based on orders received from the PSCW, WE was required to apply the refunds due to customers from its earnings sharing mechanism to its electric transmission escrow during 2019. As a result, \$38.6 million of WE's earnings sharing refunds were reflected in its electric transmission regulatory liability at December 31, 2019. WE had no refunds due to customers from its earnings sharing mechanism at December 31, 2020.
- (4) In accordance with the PSCW's approval of escrow accounting for ATC and MISO network transmission expenses for our Wisconsin electric utilities, WE and WPS defer as a regulatory asset or liability the difference between actual transmission costs and those included in rates until recovery or refund is authorized in a future rate proceeding.
- (5) Represents amounts refundable to customers related to programs at the utilities designed to meet energy efficiency standards.

Pleasant Prairie Power Plant

The Pleasant Prairie power plant was retired on April 10, 2018. The net book value of this plant was \$602.7 million at December 31, 2020, representing book value less cost of removal and accumulated depreciation. In addition, previously deferred unprotected tax benefits from the Tax Legislation related to the unrecovered balance of this plant were \$19.6 million. The net amount of \$583.1 million was classified as a regulatory asset on our balance sheets as a result of the retirement of the plant. This regulatory asset does not include certain other previously recorded deferred tax liabilities of \$168.7 million related to the retired Pleasant Prairie power plant. Pursuant to its rate order issued by the PSCW in December 2019, WE will continue to amortize this regulatory asset on a straight-line basis through 2039, using the composite depreciation rates approved by the PSCW before this plant was retired. Amortization is included in depreciation and amortization in the income statement. WE has FERC approval to continue to collect the net book value of the Pleasant Prairie power plant using the approved composite depreciation rates, in addition to a return on the remaining net book value. Collection of the return of and on the net book value is no longer subject to refund as the FERC completed its prudence review and concluded that the retirement of this plant was prudent. WE received approval from the PSCW in December 2019 to collect a full return of the net book value of the Pleasant Prairie power plant, and a return on all but \$100 million of the net book value. In accordance with its PSCW rate order received in December 2019, WE filed an application with the PSCW on July 20, 2020 requesting a financing order to securitize the remaining \$100 million of the Pleasant Prairie power plant's book value, plus the carrying costs accrued on the \$100 million during the securitization process and related fees. On November 17, 2020, the PSCW issued a written order approving this application.

Presque Isle Power Plant

Pursuant to MISO's April 2018 approval of the retirement of the PIPP, these units were retired on March 31, 2019. The net book value of the PIPP was \$161.0 million at December 31, 2020, representing book value less cost of removal and accumulated depreciation. In addition, previously deferred unprotected tax benefits from the Tax Legislation related to the unrecovered balance of these units were \$6.0 million. The net amount of \$155.0 million was classified as a regulatory asset on our balance sheets as a result of the retirement of the plant. This regulatory asset does not include certain other previously recorded deferred tax liabilities of \$46.0 million related to the retired PIPP. After the retirement of the PIPP, a portion of the regulatory asset and related cost of removal reserve was transferred to UMERC for recovery from its retail customers. Effective with its rate order issued by the PSCW in December 2019, WE received approval to collect a return of and on its share of the net book value of the PIPP, and as a result, will continue to amortize the regulatory assets on a straight-line basis through 2037, using the composite depreciation rates approved by the PSCW before the units were retired. UMERC will also continue to amortize the regulatory assets on a straight-line basis using the composite depreciation rates approved by the PSCW before the units were retired. Amortization is included in depreciation and amortization in the income statement. UMERC will address the accounting and regulatory treatment related to the retirement of the PIPP with the MPSC in conjunction with a future rate case. WE has FERC approval to continue to collect the net book value of the PIPP using the approved composite depreciation rates, in addition to a return on the net book value. However, this approval is subject to refund pending the outcome of settlement proceedings.

Pulliam Power Plant

In connection with a MISO ruling, WPS retired Pulliam Units 7 and 8 on October 21, 2018. The net book value of the Pulliam units was \$42.6 million at December 31, 2020, representing book value less cost of removal and accumulated depreciation. This amount was classified as a regulatory asset on our balance sheets as a result of the retirement of the plant. Effective with its rate order issued by the PSCW in December 2019, WPS received approval to collect a return of and on the entire net book value of the Pulliam units, and as a result, will continue to amortize this regulatory asset on a straight-line basis through 2031, using the composite depreciation rates approved by the PSCW before these generating units were retired. Amortization is included in depreciation and amortization in the income statement. WPS has FERC approval to continue to collect the net book value of the Pulliam power plant using the approved composite depreciation rates, in addition to a return on the remaining net book value. FERC has completed its prudence review of Pulliam, concluding that the retirement of this plant was prudent.

Edgewater Unit 4

The Edgewater 4 generating unit was retired on September 28, 2018. The net book value of the generating unit was \$4.7 million at December 31, 2020, representing book value less cost of removal and accumulated depreciation. This amount was classified as a regulatory asset on our balance sheets as a result of the retirement of the plant. Effective with its rate order issued by the PSCW in December 2019, WPS received approval to collect a return of and on the entire net book value of the Edgewater 4 generating unit, and as a result, will continue to amortize this regulatory asset on a straight-line basis through 2026, using the composite depreciation rates approved by the PSCW before this generating unit was retired. Amortization is included in depreciation and amortization in the income statement. WPS has FERC approval to continue to collect the net book value of the Edgewater 4 generating unit using the approved composite depreciation rates, in addition to a return on the remaining net book value. FERC has completed its prudence review of Edgewater 4, concluding that the retirement of this plant was prudent.

Severance Liability for Plant Retirements

In December 2017, a severance liability of \$29.4 million was recorded in other current liabilities on our balance sheets related to these plant retirements. Activity related to this severance liability for the years ended December 31 was as follows:

<i>(in millions)</i>	2020	2019	2018
Severance liability at January 1	\$ 2.1	\$ 15.7	\$ 29.4
Severance payments	(0.1)	(7.2)	(10.7)
Other	(1.3)	(6.4)	(3.0)
Total severance liability at December 31	\$ 0.7	\$ 2.1	\$ 15.7

NOTE 7—PROPERTY, PLANT, AND EQUIPMENT

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

<i>(in millions)</i>	2020	2019
Electric – generation	\$ 7,015.3	\$ 6,858.8
Electric – distribution	7,455.5	7,018.1
Natural gas – distribution, storage, and transmission	12,730.0	11,602.7
Other	1,896.1	1,696.7
Less: Accumulated depreciation	8,465.0	8,073.7
Net	20,631.9	19,102.6
CWIP	683.9	820.4
Net utility and non-utility property, plant, and equipment	21,315.8	19,923.0
We Power generation	3,238.8	3,245.7
Renewable generation	1,213.3	716.5
Natural gas storage	250.0	245.9
Net non-utility energy infrastructure	4,702.1	4,208.1
Corporate services	212.3	180.4
Other	41.8	88.8
Less: Accumulated depreciation	899.7	805.0
Net	4,056.5	3,672.3
CWIP	335.1	24.8
Net other property, plant, and equipment	4,391.6	3,697.1
Total property, plant, and equipment	\$ 25,707.4	\$ 23,620.1

Public Service Building

During a significant rain event in May 2020, an underground steam tunnel in downtown Milwaukee flooded and steam vented into WE's Public Service Building. The damage to the building from the flooding and steam was extensive and will require significant repairs and restorations. As of December 31, 2020, WE had incurred \$35.2 million of costs related to these repairs and restorations. WE received \$20.0 million of insurance proceeds to cover a portion of these costs and \$2.7 million was recorded as a receivable for future insurance recoveries. The remaining \$12.5 million of costs were included in other operation and maintenance expense. We anticipate that the majority of future capital expenditures required to restore the Public Service Building will either be covered by insurance or recovery will be requested from the PSCW. As such, we do not currently expect a significant impact to our future results of operations, and although we may experience differences between periods in the timing of cash flows, we also do not currently expect a significant impact to our long-term cash flows from this event.

NOTE 8—JOINTLY OWNED UTILITY FACILITIES

We Power and WPS hold joint ownership interests in certain electric generating facilities. They are entitled to their share of generating capability and output of each facility equal to their respective ownership interest. They pay their ownership share of additional construction costs and have supplied their own financing for all jointly owned projects. We record We Power's and WPS's proportionate share of significant jointly owned electric generating facilities as property, plant, and equipment on the balance sheets.

We Power leases its ownership interest in ER 1 and ER 2 to WE, and WE operates these units. WE and WPS record their respective share of fuel inventory purchases and operating expenses, unless specific agreements have been executed to limit their maximum exposure to additional costs. WE's and WPS's proportionate share of direct expenses for the joint operation of these plants is recorded within operating expenses in the income statements.

Information related to jointly owned utility facilities at December 31, 2020 was as follows:

<i>(in millions, except for percentages and MW)</i>	We Power		WPS		
	Elm Road Generating Station Units 1 and 2	Weston Unit 4	Columbia Energy Center Units 1 and 2	Forward Wind Energy Center	Two Creeks ⁽²⁾
Ownership	83.34 %	70.0 %	27.5 %	44.6 %	66.7 %
Share of capacity (MW) ⁽¹⁾	1,059.4	385.0	311.1	61.5	100.0
In-service date	2010 and 2011	2008	1975 and 1978	2008	2020
Property, plant, and equipment	\$ 2,436.5	\$ 613.5	\$ 422.3	\$ 118.9	\$ 136.0
Accumulated depreciation	\$ (447.2)	\$ (218.6)	\$ (145.5)	\$ (49.6)	\$ (0.7)
CWIP	\$ 2.2	\$ 3.8	\$ 2.3	\$ —	\$ —

⁽¹⁾ Capacity for our jointly-owned electric generation facilities, other than Forward Wind Energy Center and Two Creeks, is based on rated capacity, which is the net power output under average operating conditions with equipment in an average state of repair as of a given month in a given year. Values are primarily based on the net dependable expected capacity ratings for summer 2021 established by tests and may change slightly from year to year. The summer period is the most relevant for capacity planning purposes. This is a result of continually reaching demand peaks in the summer months, primarily due to air conditioning demand. Capacity for Forward Wind Energy Center is based on nameplate capacity, which is the amount of energy a turbine should produce at optimal wind speeds. Capacity for Two Creeks is based on nameplate capacity, which is the maximum output that a generator should produce at continuous full power.

⁽²⁾ Commercial operation was achieved in November 2020 for Two Creeks.

WPS has partnered with an unaffiliated utility to construct a solar project, Badger Hollow I, that will be located in Iowa County, Wisconsin. Once constructed, WPS will own 66.7%, or 100 MW, of Badger Hollow I. Commercial operation is targeted for the second quarter of 2021. WE has partnered with an unaffiliated utility to construct a solar project, Badger Hollow II, that will be located in Iowa County, Wisconsin. Once constructed, WE will own 66.7%, or 100 MW, of Badger Hollow II. Commercial operation is targeted for December 2022. The CWIP balances for Badger Hollow I and Badger Hollow II as of December 31, 2020 were \$115.3 million and \$10.8 million, respectively.

NOTE 9—ASSET RETIREMENT OBLIGATIONS

Our utilities have recorded AROs primarily for the removal of natural gas distribution mains and service pipes (including asbestos and PCBs); asbestos abatement at certain generation and substation facilities, office buildings, and service centers; the removal and dismantlement of biomass and hydro generation facilities; the dismantling of wind generation projects; the dismantling of solar generation projects; the disposal of PCB-contaminated transformers; the closure of coal combustion residual landfills at certain generation facilities; and the removal of above ground storage tanks. Regulatory assets and liabilities are established by our utilities to record the differences between ongoing expense recognition under the ARO accounting rules and the rate-making practices for retirement costs authorized by the applicable regulators.

WECl has also recorded AROs for the dismantling of our non-utility wind generation projects.

On our balance sheets, AROs are recorded within other long-term liabilities. The following table shows changes to our AROs during the years ended December 31:

<i>(in millions)</i>	2020	2019	2018
Balance as of January 1	\$ 483.5	\$ 461.4	\$ 573.7
Accretion	20.7	22.1	28.0
Additions and revisions to estimated cash flows	39.7 ⁽¹⁾	39.1 ⁽²⁾	(104.5) ⁽³⁾
Liabilities settled	(30.4)	(39.1)	(35.8)
Balance as of December 31	\$ 513.5	\$ 483.5	\$ 461.4

- (1) AROs increased \$39.3 million in 2020, primarily due to new natural gas distribution lines being placed into service at PGL. Also in 2020, AROs increased by \$8.5 million as a result of AROs being recorded for the legal requirement to dismantle, at retirement, the Two Creeks solar generation project. AROs decreased \$9.2 million due to revisions made to estimated cash flows for the abatement of asbestos at WE.
- (2) AROs increased \$40.1 million in 2019, primarily due to new natural gas distribution lines being placed into service at PGL. Also in 2019, AROs increased \$10.7 million as a result of AROs being recorded for the legal requirement to dismantle, at retirement, certain non-utility wind generation projects. AROs decreased \$7.3 million due to revisions made to estimated cash flows for the abatement of asbestos at WE.
- (3) AROs decreased \$127.3 million in 2018 due to revisions made to estimated cash flows primarily for changes in the cost to retire natural gas distribution pipe at PGL. Also in 2018, AROs increased \$10.7 million as a result of revisions made to estimated cash flows for the abatement of asbestos at WPS's Pulliam power plant, and a \$10.9 million ARO was recorded for the legal requirement to dismantle, at retirement, certain wind generation projects.

NOTE 10—GOODWILL AND INTANGIBLES

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets acquired. The table below shows our goodwill balances by segment at December 31, 2020. We had no changes to the carrying amount of goodwill during the years ended December 31, 2020 and 2019.

<i>(in millions)</i>	Wisconsin	Illinois	Other States	Non-Utility Energy Infrastructure	Total
Goodwill balance ⁽¹⁾	\$ 2,104.3	\$ 758.7	\$ 183.2	\$ 6.6	\$ 3,052.8

(1) We had no accumulated impairment losses related to our goodwill as of December 31, 2020.

In the third quarter of 2020, annual impairment tests were completed at all of our reporting units that carried a goodwill balance as of July 1, 2020. No impairments resulted from these tests.

Intangible Assets

At December 31, 2020, we had \$5.7 million of indefinite-lived intangible assets primarily related to a MGU trade name obtained through an acquisition, which is included in other long-term assets on our balance sheets. We had no changes to the carrying amount of these intangible assets during the years ended December 31, 2020 and 2019.

Intangible Liabilities

The intangible liabilities below were all obtained through acquisitions by WECl and are classified as other long-term liabilities on our balance sheets. See Note 2, Acquisitions, for more information.

<i>(in millions)</i>	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
PPAs ⁽¹⁾	\$ 76.1	\$ —	\$ 76.1	\$ —	\$ —	\$ —
Proxy revenue swap ⁽²⁾	7.2	(1.3)	5.9	7.2	(0.6)	6.6
Interconnection agreements ⁽³⁾	5.1	(0.3)	4.8	3.0	(0.2)	2.8
Total intangible liabilities	\$ 88.4	\$ (1.6)	\$ 86.8	\$ 10.2	\$ (0.8)	\$ 9.4

(1) Represents PPAs related to the acquisition of Blooming Grove and Tatanka Ridge expiring between 2030 and 2032. The weighted-average remaining useful life of the PPAs is 12 years.

(2) Represents an agreement with a counterparty to swap the market revenue of Upstream's wind generation for fixed quarterly payments over 10 years, which expires in 2029. The remaining useful life of the proxy revenue swap is eight years.

(3) Represents interconnection agreements related to the acquisitions of Tatanka Ridge and Bishop Hill III, expiring in 2040 and 2041, respectively. These agreements relate to payments for connecting our facilities to the infrastructure of another utility to facilitate the movement of power onto the electric grid. The weighted-average remaining useful life of the interconnection agreements is 20 years.

Amortization related to these intangibles for the years ended December 31, 2020, 2019, and 2018 was not significant.

Amortization for the next five years is estimated to be:

<i>(in millions)</i>	For the Year Ending December 31				
	2021	2022	2023	2024	2025
Amortization to be recorded in operating revenues	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.2	\$ 7.2
Amortization to be recorded in other operation and maintenance	0.2	0.2	0.2	0.2	0.2

NOTE 11—COMMON EQUITY

Stock-Based Compensation Plans

The following table summarizes our pre-tax stock-based compensation expense and the related tax benefit recognized in income for the years ended December 31:

<i>(in millions)</i>	2020	2019	2018
Stock options	\$ 6.0	\$ 4.4	\$ 5.2
Restricted stock	7.4	7.1	10.7
Performance units	22.3	38.7	20.2
Stock-based compensation expense	\$ 35.7	\$ 50.2	\$ 36.1
Related tax benefit	\$ 9.8	\$ 13.8	\$ 9.9

Stock-based compensation costs capitalized during 2020, 2019, and 2018 were not significant.

Stock Options

The following is a summary of our stock option activity during 2020:

Stock Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of January 1, 2020	3,249,918	\$ 54.98		
Granted	554,594	\$ 91.51		
Exercised	(910,083)	\$ 48.10		
Forfeited	(6,969)	\$ 71.08		
Outstanding as of December 31, 2020	2,887,460	\$ 64.13	6.4	\$ 80.6
Exercisable as of December 31, 2020	1,461,537	\$ 53.17	4.8	\$ 56.8

The aggregate intrinsic value of outstanding and exercisable options in the above table represents the total pre-tax intrinsic value that would have been received by the option holders had they exercised all of their options on December 31, 2020. This is calculated as the difference between our closing stock price on December 31, 2020, and the option exercise price, multiplied by the number of in-the-money stock options. The intrinsic value of options exercised during the years ended December 31, 2020, 2019, and 2018 was \$47.1 million, \$62.4 million, and \$32.4 million, respectively. The actual tax benefit from option exercises for the same periods was approximately \$12.9 million, \$17.1 million, and \$8.9 million, respectively.

As of December 31, 2020, approximately \$2.2 million of unrecognized compensation cost related to unvested and outstanding stock options was expected to be recognized over the next 1.8 years on a weighted-average basis.

During the first quarter of 2021, the Compensation Committee awarded 530,612 non-qualified stock options with a weighted-average exercise price of \$91.06 and a weighted-average grant date fair value of \$13.20 per option to certain of our officers and other key employees under its normal schedule of awarding long-term incentive compensation.

Restricted Shares

The following restricted stock activity occurred during 2020:

Restricted Shares	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding and unvested as of January 1, 2020	134,109	\$ 66.48
Granted	91,873	\$ 91.54
Released	(122,043)	\$ 71.25
Forfeited	(2,852)	\$ 74.31
Outstanding and unvested as of December 31, 2020	101,087	\$ 83.28

The intrinsic value of restricted stock released was \$11.1 million, \$13.4 million, and \$7.9 million for the years ended December 31, 2020, 2019, and 2018, respectively. The actual tax benefit from released restricted shares for the same years was \$3.1 million, \$3.7 million, and \$2.2 million, respectively.

As of December 31, 2020, approximately \$3.1 million of unrecognized compensation cost related to unvested and outstanding restricted stock was expected to be recognized over the next 1.8 years on a weighted-average basis.

During the first quarter of 2021, the Compensation Committee awarded 69,681 restricted shares to certain of our directors, officers, and other key employees under its normal schedule of awarding long-term incentive compensation. The grant date fair value of these awards was \$91.06 per share.

Performance Units

During 2020, 2019, and 2018, the Compensation Committee awarded 153,465; 148,036; and 217,560 performance units, respectively, to officers and other key employees under the WEC Energy Group Performance Unit Plan.

Performance units with an intrinsic value of \$34.5 million, \$18.7 million, and \$9.7 million were settled during 2020, 2019, and 2018, respectively. The actual tax benefit from the distribution of performance units for the same years was \$8.4 million, \$4.4 million, and \$2.2 million, respectively.

At December 31, 2020, we had 483,842 performance units outstanding, including dividend equivalents. A liability of \$45.9 million was recorded on our balance sheet at December 31, 2020 related to these outstanding units. As of December 31, 2020, approximately \$16.7 million of unrecognized compensation cost related to unvested and outstanding performance units was expected to be recognized over the next 1.6 years on a weighted-average basis.

During the first quarter of 2021, we settled performance units with an intrinsic value of \$27.4 million. The actual tax benefit from the distribution of these awards was \$6.7 million. In January 2021, the Compensation Committee also awarded 152,382 performance units to certain of our officers and other key employees under its normal schedule of awarding long-term incentive compensation.

Restrictions

Our ability as a holding company to pay common stock dividends primarily depends on the availability of funds received from our utility subsidiaries, We Power, Bluewater Gas Storage, ATC Holding, and WECl. Various financing arrangements and regulatory requirements impose certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans, or advances. All of our utility subsidiaries, with the exception of UMERc and MGU, are prohibited from loaning funds to us, either directly or indirectly.

In accordance with their most recent rate orders, WE, WPS, and WG may not pay common dividends above the test year forecasted amounts reflected in their respective rate cases, if it would cause their average common equity ratio, on a financial basis, to fall below their authorized level of 52.5%. A return of capital in excess of the test year amount can be paid by each company at the end of the year provided that their respective average common equity ratios do not fall below the authorized level.

WE may not pay common dividends to us under WE's Restated Articles of Incorporation if any dividends on its outstanding preferred stock have not been paid. In addition, pursuant to the terms of WE's 3.60% Serial Preferred Stock, WE's ability to declare common dividends would be limited to 75% or 50% of net income during a twelve month period if its common stock equity to total capitalization, as defined in the preferred stock designation, is less than 25% and 20%, respectively.

NSG's long-term debt obligations contain provisions and covenants restricting the payment of cash dividends and the purchase or redemption of its capital stock.

The long-term debt obligations of UMERc, Bluewater Gas Storage, and ATC Holding contain a provision requiring them to maintain a total funded debt to capitalization ratio of 65% or less.

WECl Wind Holding l's long-term debt obligations contain various conditions that must be met prior to WECl Wind Holding l making any cash distributions. Included in these provisions is a requirement to maintain a debt service coverage ratio of 1.2 or greater for the 12-month period prior to the distribution.

WEC Energy Group and Integrys have the option to defer interest payments on their junior subordinated notes, from time to time, for one or more periods of up to 10 consecutive years per period. During any period in which they defer interest payments, they may not declare or pay any dividends or distributions on, or redeem, repurchase or acquire, their respective common stock.

See Note 13, Short-Term Debt and Lines of Credit, for discussion of certain financial covenants related to short-term debt obligations.

As of December 31, 2020, restricted net assets of our consolidated subsidiaries totaled approximately \$8.6 billion. Our equity in undistributed earnings of investees accounted for by the equity method was approximately \$386 million.

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

Share Purchases

We have instructed our independent agents to purchase shares on the open market to fulfill obligations under various stock-based employee benefit and compensations plans and to provide shares to participants in our dividend reinvestment and stock purchase plan. As a result, no new shares of common stock were issued in 2020, 2019, or 2018.

The following is a summary of shares purchased to fulfill exercised stock options and restricted stock awards during the years ended December 31:

<i>(in millions)</i>	2020	2019	2018
Shares purchased	1.0	1.8	1.1
Cost of shares purchased	\$ 99.2	\$ 140.1	\$ 72.4

Common Stock Dividends

During the year ended December 31, 2020, our Board of Directors declared common stock dividends which are summarized below:

Date Declared	Date Payable	Per Share	Period
January 16, 2020	March 1, 2020	\$0.6325	First quarter
April 16, 2020	June 1, 2020	\$0.6325	Second quarter
July 16, 2020	September 1, 2020	\$0.6325	Third quarter
October 15, 2020	December 1, 2020	\$0.6325	Fourth quarter

On January 21, 2021, our Board of Directors declared a quarterly cash dividend of \$0.6775 per share, which equates to an annual dividend of \$2.71 per share. The dividend is payable on March 1, 2021, to shareholders of record on February 14, 2021. In addition, the Board of Directors affirmed our dividend policy that continues to target a dividend payout ratio of 65-70% of earnings.

NOTE 12—PREFERRED STOCK

The following table shows preferred stock authorized and outstanding at December 31, 2020 and 2019:

<i>(in millions, except share and per share amounts)</i>	Shares Authorized	Shares Outstanding	Redemption Price Per Share	Total
WEC Energy Group				
\$0.01 par value Preferred Stock	15,000,000	—	—	\$ —
WE				
\$100 par value, Six Per Cent. Preferred Stock	45,000	44,498	—	4.4
\$100 par value, Serial Preferred Stock 3.60% Series	2,286,500	260,000	\$ 101	26.0
\$25 par value, Serial Preferred Stock	5,000,000	—	—	—
WPS				
\$100 par value, Preferred Stock	1,000,000	—	—	—
PGL				
\$100 par value, Cumulative Preferred Stock	430,000	—	—	—
NSG				
\$100 par value, Cumulative Preferred Stock	160,000	—	—	—
Total				\$ 30.4

NOTE 13—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:

<i>(in millions, except percentages)</i>	2020	2019
Commercial paper		
Amount outstanding at December 31	\$ 1,436.9	\$ 830.8
Average interest rate on amounts outstanding at December 31	0.21 %	2.00 %
Term loan		
Amount outstanding at December 31	\$ 340.0	\$ —
Average interest rate on amounts outstanding at December 31	0.99 %	— %

Our average amount of commercial paper borrowings based on daily outstanding balances during 2020, was \$788.9 million with a weighted-average interest rate during the period of 0.85%.

In order to enhance our liquidity position in response to the COVID-19 pandemic, in March 2020, WEC Energy Group entered into a \$340.0 million 364-day term loan that will mature on March 29, 2021. The proceeds from this term loan were used to pay down commercial paper. The weighted-average interest rate on the term loan during the year ended December 31, 2020 was 1.38%.

WEC Energy Group, WE, WPS, WG, and PGL have entered into bank back-up credit facilities to maintain short-term credit liquidity which, among other terms, require them to maintain, subject to certain exclusions, a total funded debt to capitalization ratio of 70.0%, 65.0%, 65.0%, 65.0%, and 65.0% or less, respectively. As of December 31, 2020, all companies were in compliance with their respective ratio.

The information in the table below relates to our term loan agreement and our revolving credit facilities used to support our commercial paper borrowing programs, including remaining available capacity under these credit agreements as of December 31:

<i>(in millions)</i>	Maturity	2020
Term loan agreement (WEC Energy Group)	March 2021	\$ 340.0
Revolving credit facility (WEC Energy Group)	October 2022	1,200.0
Revolving credit facility (WE)	October 2022	500.0
Revolving credit facility (WPS)	October 2022	400.0
Revolving credit facility (WG)	October 2022	350.0
Revolving credit facility (PGL)	October 2022	350.0
Total short-term credit capacity		\$ 3,140.0
Less:		
Letters of credit issued inside credit facilities		\$ 2.3
Term loan outstanding		340.0
Commercial paper outstanding		1,436.9
Available capacity under existing agreements		\$ 1,360.8

Each of the revolving credit facilities has a renewal provision for two extensions, subject to lender approval. Each extension is for a period of one year.

The bank back-up credit facilities contain customary covenants, including certain limitations on the respective companies' ability to sell assets. The credit facilities also contain 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. In addition, pursuant to the terms of WEC Energy Group's credit agreement, we must ensure that certain of our subsidiaries comply with several of the covenants contained therein.

NOTE 14—LONG-TERM DEBT

The following table is a summary of our long-term debt outstanding (excluding finance leases) as of December 31:

<i>(in millions)</i>	2020			2019	
	Maturity Date	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate	Balance
WEC Energy Group Senior Notes (unsecured) ⁽¹⁾	2023-2033	2.03 %	\$ 2,270.0	3.47 %	\$ 2,050.0
WEC Energy Group Junior Notes (unsecured) ⁽¹⁾⁽²⁾	2067	3.65 %	500.0	4.50 %	500.0
WE Debentures (unsecured)	2021-2095	4.26 %	2,785.0	4.26 %	2,785.0
WPS Senior Notes (unsecured)	2021-2049	4.04 %	1,625.0	4.04 %	1,625.0
WG Debentures (unsecured)	2024-2046	3.65 %	640.0	3.65 %	640.0
Integrus Senior Notes (unsecured)	2020	N/A	—	4.17 %	250.0
Integrus Junior Notes (unsecured) ⁽³⁾	2073	6.00 %	400.0	6.00 %	400.0
PGL First and Refunding Mortgage Bonds (secured) ⁽⁴⁾	2024-2047	3.45 %	1,670.0	3.59 %	1,520.0
NSG First Mortgage Bonds (secured) ⁽⁵⁾	2027-2043	3.81 %	132.0	3.81 %	132.0
MERC Senior Notes (unsecured)	2025-2047	3.27 %	170.0	3.51 %	120.0
MGU Senior Notes (unsecured)	2025-2047	3.18 %	150.0	3.51 %	90.0
UMERC Senior Notes (unsecured)	2029	3.26 %	160.0	3.26 %	160.0
Bluewater Gas Storage Senior Notes (unsecured) ⁽⁶⁾	2021-2047	3.76 %	117.8	3.76 %	120.3
ATC Holding Senior Notes (unsecured)	2025-2030	4.05 %	475.0	4.05 %	475.0
We Power Subsidiaries Notes (secured, nonrecourse) ⁽⁶⁾⁽⁷⁾	2021-2041	5.59 %	970.8	5.57 %	1,005.2
WECC Notes (unsecured)	2028	6.94 %	50.0	6.94 %	50.0
WECl Wind Holding I Senior Notes (secured) ⁽⁶⁾⁽⁸⁾	2032	2.75 %	413.6	N/A	—
Total			12,529.2		11,922.5
Integrus acquisition fair value adjustment			8.4		14.3
Unamortized debt issuance costs			(65.2)		(52.9)
Unamortized discount, net and other			(21.9)		(25.6)
Total long-term debt, including current portion ⁽⁹⁾			12,450.5		11,858.3
Current portion of long-term debt			(777.7)		(686.9)
Total long-term debt			\$ 11,672.8		\$ 11,171.4

⁽¹⁾ In connection with our outstanding 2007 Junior Notes, we executed an RCC, which we amended on June 29, 2015, for the benefit of persons that buy, hold, or sell a specified series of our long-term indebtedness (covered debt). Our 6.20% Senior Notes due April 1, 2033 have been designated as the covered debt under the RCC. The RCC provides that we may not redeem, defease, or purchase, and that our subsidiaries may not purchase, any 2007 Junior Notes on or before May 15, 2037, unless, subject to certain limitations described in the RCC, we have received a specified amount of proceeds from the sale of qualifying securities.

⁽²⁾ Variable interest rate reset quarterly. The rates were 2.33% and 4.02% as of December 31, 2020 and 2019, respectively. On July 12, 2018, we executed two interest rate swaps that provided a fixed rate of 4.9765% on \$250.0 million of the outstanding notes. The effective rates of 3.65% and 4.50% as of December 31, 2020 and 2019, respectively, were blended rates of the variable and fixed portions.

⁽³⁾ Effective August 2023, Integrus's \$400.0 million of 2013 6.00% Junior Subordinated Notes due 2073 will bear interest at the three-month LIBOR plus 322 basis points and will reset quarterly.

⁽⁴⁾ PGL's First Mortgage Bonds are subject to the terms and conditions of PGL's First Mortgage Indenture dated January 2, 1926, as supplemented. Under the terms of the Indenture, substantially all property owned by PGL is pledged as collateral for these outstanding debt securities.

PGL has 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 PGL. In return, PGL issued equal principal amounts of certain collateralized First Mortgage Bonds.

⁽⁵⁾ NSG's First Mortgage Bonds are subject to the terms and conditions of NSG's First Mortgage Indenture dated April 1, 1955, as supplemented. Under the terms of the Indenture, substantially all property owned by NSG is pledged as collateral for these outstanding debt securities.

⁽⁶⁾ The long-term debt of Bluewater, WECl Wind Holding I, and We Power's subsidiaries requires periodic principal payments.

⁽⁷⁾ We Power's subsidiaries' senior notes are secured by a collateral assignment of the leases between We Power's subsidiaries and WE related to PWGS and ERGS, as applicable.

⁽⁸⁾ WECl Wind Holding I's Senior Notes are secured by a first priority security interest in the ownership interest of its subsidiaries as well as a pledge of equity in WECl Wind Holding I.

⁽⁹⁾ The amount of long-term debt on our balance sheets includes finance lease obligations of \$63.4 million and \$45.9 million at December 31, 2020 and 2019, respectively.

We amortize debt premiums, discounts, and debt issuance costs over the life of the debt and we include the costs in interest expense.

WEC Energy Group, Inc.

In May 2020, we redeemed at par all \$400.0 million outstanding of our 2.45% Senior Notes due June 15, 2020.

In September 2020, we issued \$700.0 million of 0.55% Senior Notes due September 15, 2023, and used the net proceeds to repay commercial paper and for working capital and other general corporate purposes.

In October 2020, we issued \$500.0 million of 1.375% Senior Notes due October 15, 2027, and \$450.0 million of 1.800% Senior Notes due October 15, 2030. We used the net proceeds to redeem all \$600.0 million outstanding of our 3.375% Senior Notes due June 15, 2021 and all \$350.0 million outstanding of our 3.10% Senior Notes due March 8, 2022, and for other general corporate purposes. As a result of redeeming our 3.375% Senior Notes and our 3.10% Senior Notes prior to their maturity dates, we recognized a \$27.9 million loss on early extinguishment of debt in October 2020. The loss is comprised of the make-whole premium associated with the early redemptions and the write-off of unamortized debt discounts and debt issuance costs as of the redemption date.

In December 2020, we redeemed \$80.0 million of the \$500.0 million outstanding of our 3.55% Senior Notes due June 15, 2025 with the proceeds we received from issuing commercial paper. As a result of the redemption prior to maturity, we recognized a \$10.5 million loss on early extinguishment of debt. The loss is comprised of the make-whole premium associated with the early redemption and the write-off of the related unamortized debt discount and debt issuance costs as of the redemption date.

Integrus Holding, Inc.

In November 2020, Integrus' \$250.0 million of 4.17% Senior Notes matured, and outstanding principal was paid with proceeds received from WEC Energy Group issuing commercial paper.

The Peoples Gas Light and Coke Company

In August 2020, PGL redeemed at par all \$50.0 million outstanding of its 1.875% Series WW Bonds due February 1, 2033.

In November 2020, PGL issued \$200.0 million of 1.98% Series JJJ Bonds due December 1, 2030, and used the net proceeds for general corporate purposes, including capital expenditures and the refinancing of short-term debt.

Minnesota Energy Resources Corporation

In April 2020, MERC issued \$50.0 million of 2.69% Senior Notes due May 1, 2025, and used the net proceeds to repay intercompany short-term debt to its parent, Integrus, and for general corporate purposes, including capital expenditures.

Michigan Gas Utilities Corporation

In April 2020, MGU issued \$60.0 million of 2.69% Senior Notes due May 1, 2025, and used the net proceeds to repay intercompany short-term debt to its parent, Integrus, and for general corporate purposes, including capital expenditures.

WEC Infrastructure Wind Holding I LLC

In December 2020, WECl Wind Holding I issued \$413.6 million of 2.75% Senior Notes due December 31, 2032, and used the net proceeds to return a portion of WECl's previously invested capital in the subsidiaries of WECl Wind Holding I.

Maturities of Long-Term Debt Outstanding

The following table shows the long-term debt securities (excluding finance leases) maturing within one year of December 31, 2020:

<i>(in millions)</i>	Interest Rate	Maturity Date ⁽¹⁾	Principal Amount
WE Debentures (unsecured)	2.95%	September	\$ 300.0
WPS Senior Notes (unsecured)	3.35%	November	400.0
Bluewater Gas Storage Senior Notes (unsecured)	3.76%	Semi-annually	2.6
We Power Subsidiaries Notes – PWGS (secured, nonrecourse)	4.91%	Monthly	6.9
We Power Subsidiaries Notes – ERGS (secured, nonrecourse)	5.209%	Semi-annually	13.2
We Power Subsidiaries Notes – ERGS (secured, nonrecourse)	4.673%	Semi-annually	10.2
We Power Subsidiaries Notes – PWGS (secured, nonrecourse)	6.00%	Monthly	5.9
WECl Wind Holding I Senior Notes (secured)	2.75%	Semi-annually	38.9
Total			\$ 777.7

⁽¹⁾ Maturity dates listed as semi-annually and monthly are associated with debt that requires periodic principal payments.

The following table shows the future maturities of our long-term debt outstanding (excluding obligations under finance leases) as of December 31, 2020:

<i>(in millions)</i>	Payments
2021	\$ 777.7
2022	83.3
2023	784.9
2024	613.7
2025	1,156.7
Thereafter	9,112.9
Total	\$ 12,529.2

Certain long-term debt obligations contain financial and other covenants related to payment of principal and interest when due, maintaining certain total funded debt to capitalization ratios, 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.

NOTE 15—LEASES

Obligations Under Operating Leases

We have recorded right of use assets and lease liabilities associated with the following operating leases.

- Leases of office space, primarily related to several floors we are leasing in the Aon Center office building in Chicago, Illinois, through April 2029.
- Land we are leasing related to our Rothschild biomass plant through June 2051.
- Rail cars we are leasing to transport coal to various generating facilities through February 2021.

The operating leases generally require us to pay property taxes, insurance premiums, and operating and maintenance costs associated with the leased property. Many of our leases contain options to renew past the initial term, as set forth in the lease agreement.

Obligations Under Finance Lease

Power Purchase Commitment

In 1997, we entered into a 25-year power purchase contract with an unaffiliated independent power producer. The contract, for 236 MW of firm capacity from a natural gas-fired cogeneration facility, includes zero minimum energy requirements. When the contract expires in 2022, we may, at our option and with proper notice, renew for another ten years, purchase the generating facility at fair market value, or allow the contract to expire. At lease inception we recorded this leased facility and corresponding obligation on our balance sheets at the estimated fair value of the plant's electric generating facilities. Minimum lease payments are a function of the 236 MW of firm capacity we receive from the plant and the fixed monthly capacity rate published in the lease.

Prior to our adoption of Topic 842 on January 1, 2019, we accounted for this finance lease under Topic 980-840, Regulated Operations – Leases, as follows:

- We recorded our minimum lease payments as purchased power expense in cost of sales on our income statement.
- We recorded the difference between the minimum lease payments and the sum of imputed interest and amortization costs calculated under finance lease accounting rules as a deferred regulatory asset on our balance sheets.

In conjunction with our adoption of Topic 842, while the timing of expense recognition related to this finance lease did not change, classification of the lease expense changed as follows:

- Effective January 1, 2019, the minimum lease payments under the power purchase contract were no longer classified within cost of sales in our income statements, but were instead recorded as a component of depreciation and amortization and interest expense in accordance with Topic 980-842, Regulated Operations – Leases.
- In accordance with Topic 980-842, the timing of lease expense did not change for this finance lease upon adoption of Topic 842, and still resembled the expense recognition pattern of an operating lease, as the amortization of the right of use assets was modified from what would typically be recorded for a finance lease under Topic 842.

- We continue to record the difference between the minimum lease payments and the sum of imputed interest and unadjusted amortization costs calculated under the finance lease accounting rules as a deferred regulatory asset on our balance sheets.

Due to the timing and the amounts of the minimum lease payments, the regulatory asset increased to \$78.5 million in 2009, at which time the regulatory asset began to be reduced to zero over the remaining life of the contract. The total obligation under the finance lease was \$12.1 million at December 31, 2020, and will decrease to zero over the remaining life of the contract.

Two Creeks Solar Park

Related to its investment in Two Creeks, WPS, along with an unaffiliated utility, entered into several land leases in Manitowoc County, Wisconsin that commenced in the third quarter of 2019. The leases with unaffiliated parties are for a total of approximately 600 acres of land. Each lease has an initial term of 30 years with two optional 10-year extensions. We expect the two optional extensions to be exercised, and, as a result, the land leases are being amortized over the 50-year extended term of the leases. The lease payments are being recovered through rates.

We treat these land lease contracts as operating leases for rate-making purposes. Our total obligation under the finance leases for Two Creeks was \$7.9 million as of December 31, 2020, and will decrease to zero over the remaining lives of the leases.

Badger Hollow Solar Park I

Related to its investment in Badger Hollow I, WPS, along with an unaffiliated utility, entered into several land leases in Iowa County, Wisconsin that commenced in the third quarter of 2019. The leases are for a total of approximately 1,400 acres of land. Each lease has an initial construction term that ends upon achieving commercial operation, then automatically extends for 25 years with an option for an additional 25-year extension. We expect the optional extension to be exercised, and, as a result, the land leases are being amortized over the extended term of the leases. The lease payments will be recovered through rates.

We treat these land lease contracts as operating leases for rate-making purposes. Our total obligation under the finance leases for Badger Hollow I was \$20.3 million as of December 31, 2020, and will decrease to zero over the remaining lives of the leases.

Badger Hollow Solar Park II

Related to its investment in Badger Hollow II, WE, along with an unaffiliated utility, entered into several land leases in Iowa County, Wisconsin that commenced in the second quarter of 2020. The leases are for a total of approximately 1,500 acres of land. Each lease has an initial construction term that ends upon achieving commercial operation, then automatically extends for 25 years with an option for an additional 25-year extension. We expect the optional extension to be exercised, and, as a result, the land leases are being amortized over the extended term of the leases. The lease payments will be recovered through rates.

We treat these land lease contracts as operating leases for rate-making purposes. Our total obligation under the finance leases for Badger Hollow II was \$23.1 million as of December 31, 2020, and will decrease to zero over the remaining lives of the leases.

Amounts Recognized in the Financial Statements

The components of lease expense and supplemental cash flow information related to our leases for the years ended December 31 are as follows:

<i>(in millions)</i>	2020	2019	2018
Finance lease expense			
Amortization of right of use assets ⁽¹⁾	\$ 6.3	\$ 4.9	
Interest on lease liabilities ⁽²⁾	2.5	3.3	
Capital lease expense ⁽³⁾			\$ 7.7
Operating lease expense ⁽⁴⁾	5.4	5.5	5.6
Short-term lease expense ⁽⁴⁾	0.3	0.6	1.5
Total lease expense	\$ 14.5	\$ 14.3	\$ 14.8
Other information			
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from finance/capital leases ⁽⁵⁾	\$ 2.5	\$ 3.3	\$ 7.7
Operating cash flows from operating leases	\$ 6.7	\$ 6.0	\$ 6.5
Financing cash flows from finance leases ⁽⁵⁾	\$ 6.3	\$ 4.9	
Non-cash activities:			
Right of use assets obtained in exchange for finance lease liabilities	\$ 22.8	\$ 27.2	
Right of use assets obtained in exchange for operating lease liabilities	\$ —	\$ 49.0	
Weighted-average remaining lease term – finance leases	41.5 years	31.5 years	
Weighted-average remaining lease term – operating leases	13.0 years	12.9 years	
Weighted-average discount rate – finance lease ⁽⁶⁾	4.9 %	6.7 %	
Weighted average discount rate – operating leases ⁽⁶⁾	3.4 %	4.4 %	

⁽¹⁾ Amortization of right of use assets was included as a component of depreciation and amortization expense for the years ended December 31, 2020 and 2019.

⁽²⁾ Interest on lease liabilities was included as a component of interest expense for the years ended December 31, 2020 and 2019.

⁽³⁾ Capital lease expense related to the long-term PPA was included in cost of sales for the year ended December 31, 2018.

⁽⁴⁾ Operating and short-term lease expense were included as a component of operation and maintenance for the years ended December 31, 2020, 2019, and 2018.

⁽⁵⁾ Prior to our adoption of Topic 842 on January 1, 2019, all cash flows related to the finance lease were recorded as a component of operating cash flows.

⁽⁶⁾ Because our operating leases do not provide an implicit rate of return, we used the fully collateralized incremental borrowing rates based upon information available for similarly rated companies in determining the present value of lease payments for our operating leases. For our PPA that meets the definition of a finance lease, the rate implicit in the lease was readily determinable. For our solar land leases that are finance leases, we used the fully collateralized incremental borrowing rates based upon information available for similarly rated companies in determining the present value of lease payments.

The following table summarizes our finance lease right of use assets, which were included in property, plant and equipment on our balance sheets at December 31:

<i>(in millions)</i>	2020	2019
Long-term power purchase commitment		
Under finance leases	\$ 140.3	\$ 140.3
Accumulated amortization	(132.3)	(126.6)
Total long-term power purchase commitment	\$ 8.0	\$ 13.7
Two Creeks land leases		
Under finance leases	\$ 7.7	\$ 7.7
Accumulated amortization	(0.2)	(0.1)
Total Two Creeks land leases	\$ 7.5	\$ 7.6
Badger Hollow I land leases		
Under finance leases	\$ 19.5	\$ 19.5
Accumulated amortization	(0.6)	(0.2)
Total Badger Hollow I land leases	\$ 18.9	\$ 19.3
Badger Hollow II land leases		
Under finance leases	\$ 22.8	\$ —
Accumulated amortization	(0.2)	—
Total Badger Hollow II land leases	\$ 22.6	\$ —
Total finance lease right of use assets	\$ 57.0	\$ 40.6

Right of use assets related to operating leases were \$20.7 million and \$41.4 million at December 31, 2020 and 2019, and were included in other long-term assets on our balance sheets.

Future minimum lease payments under our operating leases and our finance leases, and the present value of our net minimum lease payments as of December 31, 2020, were as follows:

<i>(in millions)</i>	Total Operating Leases	Power Purchase Commitment	Two Creeks	Badger Hollow I	Badger Hollow II	Total Finance Leases
2021	\$ 4.5	\$ 9.4	\$ 0.2	\$ 0.7	\$ 0.3	\$ 10.6
2022	4.4	4.2	0.2	0.7	0.3	5.4
2023	4.5	—	0.2	0.7	0.7	1.6
2024	4.3	—	0.2	0.7	0.7	1.6
2025	3.8	—	0.2	0.7	0.7	1.6
Thereafter	24.5	—	22.6	52.7	55.0	130.3
Total minimum lease payments	46.0	13.6	23.6	56.2	57.7	151.1
Less: Interest	(10.2)	(1.5)	(15.7)	(35.9)	(34.6)	(87.7)
Present value of minimum lease payments	35.8	12.1	7.9	20.3	23.1	63.4
Less: Short-term lease liabilities	(3.4)	(8.1)	—	—	—	(8.1)
Long-term lease liabilities	\$ 32.4	\$ 4.0	\$ 7.9	\$ 20.3	\$ 23.1	\$ 55.3

Short-term and long-term lease liabilities related to operating leases were included in other current liabilities and other long-term liabilities on the balance sheets, respectively. Short-term and long-term lease liabilities related to our finance leases were included in current portion of long-term debt and long-term debt on the balance sheets, respectively.

NOTE 16—INCOME TAXES

Income Tax Expense

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

<i>(in millions)</i>	2020	2019	2018
Current tax expense (benefit)	\$ 49.2	\$ (37.9)	\$ (127.5)
Deferred income taxes, net	182.2	167.7	300.1
ITC, net	(3.5)	(4.8)	(2.8)
Total income tax expense	\$ 227.9	\$ 125.0	\$ 169.8

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:

<i>(in millions)</i>	2020		2019		2018	
	Amount	Effective Tax Rate	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Statutory federal income tax	\$ 299.9	21.0 %	\$ 264.4	21.0 %	\$ 258.1	21.0 %
State income taxes net of federal tax benefit	90.5	6.3 %	80.4	6.4 %	71.8	5.8 %
Federal excess deferred tax amortization – Wisconsin unprotected ⁽¹⁾	(57.6)	(4.0)%	—	— %	—	— %
Wind PTCs	(51.5)	(3.6)%	(34.1)	(2.7)%	(12.1)	(1.0)%
Federal excess deferred tax amortization ⁽²⁾	(36.7)	(2.6)%	(34.9)	(2.8)%	(16.8)	(1.4)%
Excess tax benefits – stock options	(12.3)	(0.9)%	(15.8)	(1.3)%	(5.9)	(0.5)%
AFUDC – Equity	(4.4)	(0.3)%	(3.0)	(0.2)%	(3.2)	(0.3)%
ITC restored	(3.5)	(0.2)%	(4.8)	(0.4)%	(2.8)	(0.2)%
Tax repairs ⁽³⁾	3.3	0.2 %	(122.8)	(9.8)%	(120.7)	(9.8)%
Other, net	0.2	— %	(4.4)	(0.3)%	1.4	0.2 %
Total income tax expense	\$ 227.9	15.9 %	\$ 125.0	9.9 %	\$ 169.8	13.8 %

⁽¹⁾ In accordance with the rate order received from the PSCW in December 2019, our Wisconsin utilities are amortizing these unprotected deferred tax benefits over periods ranging from two years to four years, to reduce near-term rate impacts to their customers. 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.

⁽²⁾ The Tax Legislation required our regulated utilities to remeasure their 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.

⁽³⁾ In accordance with a settlement agreement with the PSCW, WE flowed through the tax benefit of its repair related deferred tax liabilities in 2018 and 2019, to maintain certain regulatory asset balances at their December 31, 2017 levels. The flow through treatment of the repair related deferred tax liabilities offset the negative income statement impact of holding the regulatory assets level, resulting in no impact to net income. In 2020, in accordance with the settlement agreement, WE started collecting the payback of the tax repairs benefit that was flowed through to customers. Customers will pay back all of the benefits over the next fifty years.

See Note 26, Regulatory Environment, for more information about the impact of the Tax Legislation and the Wisconsin rate orders.

Deferred Income Tax Assets and Liabilities

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

<i>(in millions)</i>	2020	2019
Deferred tax assets		
Tax gross up – regulatory items	\$ 497.6	\$ 519.8
Deferred revenues	104.2	106.3
Future tax benefits	102.5	101.0
Other	197.2	159.8
Total deferred tax assets	901.5	886.9
Valuation allowance	(2.3)	(2.3)
Net deferred tax assets	\$ 899.2	\$ 884.6
Deferred tax liabilities		
Property-related	\$ 3,721.0	\$ 3,609.0
Investment in affiliates	647.2	531.7
Deferred costs – Plant retirements	255.4	232.0
Employee benefits and compensation	148.2	131.4
Other	187.2	149.8
Total deferred tax liabilities	4,959.0	4,653.9
Deferred tax liability, net	\$ 4,059.8	\$ 3,769.3

Consistent with rate-making treatment, deferred taxes related to our regulated utilities 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 federal and state tax benefit carryforwards as of December 31, 2020 and 2019 are summarized in the tables below:

2020 <i>(in millions)</i>	Gross Value	Deferred Tax Effect	Valuation Allowance	Earliest Year of Expiration
Future tax benefits as of December 31, 2020				
Federal tax credit	\$ —	\$ 89.1	\$ —	2040
State net operating loss	88.8	5.5	(2.3)	2030
Other state benefits	—	7.9	—	2023
Balance as of December 31, 2020	\$ 88.8	\$ 102.5	\$ (2.3)	

2019 <i>(in millions)</i>	Gross Value	Deferred Tax Effect	Valuation Allowance	Earliest Year of Expiration
Future tax benefits as of December 31, 2019				
Federal tax credit	\$ —	\$ 75.4	\$ —	2037
State net operating loss	287.1	17.6	(2.3)	2023
Other state benefits	—	8.0	—	2019
Balance as of December 31, 2019	\$ 287.1	\$ 101.0	\$ (2.3)	

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<i>(in millions)</i>	2020	2019
Balance as of January 1	\$ 17.9	\$ 20.0
Additions for tax positions of prior years	1.6	1.9
Additions based on tax positions related to the current year	0.1	0.2
Reductions for tax positions of prior years	(7.7)	(4.2)
Balance as of December 31	\$ 11.9	\$ 17.9

The amount of unrecognized tax benefits as of both December 31, 2020 and 2019, excludes deferred tax assets related to uncertainty in income taxes of \$1.9 million and \$2.0 million, respectively. As of December 31, 2020 and 2019, the net amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate for continuing operations was \$10.1 million and \$15.9 million, respectively.

For the years ended December 31, 2020, 2019, and 2018, we recognized \$0.3 million of interest income, \$0.1 million of interest expense, and \$0.5 million of interest expense, respectively, related to unrecognized tax benefits in our income statements. For the years ended December 31, 2020, 2019, and 2018, we recognized no penalties related to unrecognized tax benefits in our income statements. For the year ended December 31, 2020, we had \$0.5 million of interest accrued and no penalties accrued related to unrecognized tax benefits on our balance sheets. For the year ended December 31, 2019, we had \$0.8 million of interest accrued and no penalties accrued related to unrecognized tax benefits on our balance sheets.

Although analysis of our unrecognized tax benefits is ongoing, the potential estimated decrease in the total amounts of unrecognized tax benefits within the next 12 months is approximately \$7.5 million associated with statutes of limitations on certain tax years. We do not anticipate any significant increases in the total amounts of unrecognized tax benefits within the next 12 months.

We file income tax returns in the United States federal jurisdiction and state tax returns based on income in our major state operating jurisdictions of Wisconsin, Illinois, Michigan, and Minnesota. We also file tax returns in other state and local jurisdictions with varying statutes of limitations. As of December 31, 2020, with a few exceptions, we were subject to examination by federal and state or local tax authorities for the 2015 through 2020 tax years in our major operating jurisdictions as follows:

Jurisdiction	Years
Federal	2017–2020
Illinois	2015–2020
Michigan	2015–2020
Minnesota	2016–2020
Wisconsin	2016–2020

NOTE 17—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:

<i>(in millions)</i>	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Derivative assets				
Natural gas contracts	\$ 11.7	\$ 2.0	\$ —	\$ 13.7
FTRs	—	—	2.4	2.4
Coal contracts	—	1.8	—	1.8
Total derivative assets	\$ 11.7	\$ 3.8	\$ 2.4	\$ 17.9
Investments held in rabbi trust	\$ 79.6	\$ —	\$ —	\$ 79.6
Derivative liabilities				
Natural gas contracts	\$ 7.7	\$ 6.4	\$ —	\$ 14.1
Coal contracts	—	1.2	—	1.2
Interest rate swaps	—	6.8	—	6.8
Total derivative liabilities	\$ 7.7	\$ 14.4	\$ —	\$ 22.1

<i>(in millions)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Derivative assets				
Natural gas contracts	\$ 1.4	\$ 2.0	\$ —	\$ 3.4
FTRs	—	—	3.1	3.1
Coal contracts	—	0.4	—	0.4
Total derivative assets	\$ 1.4	\$ 2.4	\$ 3.1	\$ 6.9
Investments held in rabbi trust	\$ 85.3	\$ —	\$ —	\$ 85.3
Derivative liabilities				
Natural gas contracts	\$ 21.4	\$ 1.3	\$ —	\$ 22.7
Coal contracts	—	0.2	—	0.2
Interest rate swaps	—	6.0	—	6.0
Total derivative liabilities	\$ 21.4	\$ 7.5	\$ —	\$ 28.9

The derivative assets and liabilities listed in the tables above include options, swaps, futures, physical commodity contracts, and other instruments used to manage market risks related to changes in commodity prices and interest rates. They also include FTRs, which are used to manage electric transmission congestion costs in the MISO Energy Markets.

We hold investments in the Integrys rabbi trust. These investments are restricted as they can only be withdrawn from the trust to fund participants' benefits under the Integrys deferred compensation plan and certain Integrys non-qualified pension plans. These investments are included in other long-term assets on our balance sheets. For the years ended December 31, 2020 and 2019, the net unrealized gains included in earnings related to the investments held at the end of the period were \$6.3 million and \$18.7 million, respectively. The net unrealized gains included in earnings for the year ended December 31, 2018 were not significant.

The following table summarizes the changes to derivatives classified as Level 3 in the fair value hierarchy at December 31:

<i>(in millions)</i>	2020	2019	2018
Balance at the beginning of the period	\$ 3.1	\$ 7.4	\$ 4.4
Purchases	7.6	12.8	18.4
Settlements	(8.3)	(17.1)	(15.4)
Balance at the end of the period	\$ 2.4	\$ 3.1	\$ 7.4

Fair Value of Financial Instruments

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

<i>(in millions)</i>	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock of subsidiary	\$ 30.4	\$ 32.3	\$ 30.4	\$ 29.5
Long-term debt, including current portion ⁽¹⁾	12,450.5	14,343.2	11,858.3	13,035.9

⁽¹⁾ The carrying amount of long-term debt excludes finance lease obligations of \$63.4 million and \$45.9 million at December 31, 2020 and 2019, respectively.

The fair values of our long-term debt and preferred stock are categorized within Level 2 of the fair value hierarchy.

NOTE 18—DERIVATIVE INSTRUMENTS

The following table shows our derivative assets and derivative liabilities, along with their classification on our balance sheets. None of our derivatives are designated as hedging instruments, with the exception of our interest rate swaps, which have been designated as cash flow hedges.

<i>(in millions)</i>	December 31, 2020		December 31, 2019	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Other current				
Natural gas contracts	\$ 13.0	\$ 12.9	\$ 3.4	\$ 21.8
FTRs	2.4	—	3.1	—
Coal contracts	1.6	0.8	0.2	0.2
Interest rate swaps	—	6.8	—	2.8
Total other current	17.0	20.5	6.7	24.8
Other long-term				
Natural gas contracts	0.7	1.2	—	0.9
Coal contracts	0.2	0.4	0.2	—
Interest rate swaps	—	—	—	3.2
Total other long-term	0.9	1.6	0.2	4.1
Total	\$ 17.9	\$ 22.1	\$ 6.9	\$ 28.9

Realized gains (losses) on derivatives not designated as hedging instruments are primarily recorded in cost of sales on the income statements. Our estimated notional sales volumes and realized gains (losses) were as follows for the years ended:

<i>(in millions)</i>	December 31, 2020		December 31, 2019		December 31, 2018	
	Volumes	Gains (Losses)	Volumes	Gains (Losses)	Volumes	Gains
Natural gas contracts	188.6 Dth	\$ (54.1)	183.9 Dth	\$ (27.1)	173.2 Dth	\$ 24.6
Petroleum products contracts	— gallons	—	— gallons	—	6.0 gallons	1.6
FTRs	29.8 MWh	4.1	31.2 MWh	16.3	30.5 MWh	15.9
Total		\$ (50.0)		\$ (10.8)		\$ 42.1

At December 31, 2020 and 2019, we had posted cash collateral of \$18.9 million and \$34.4 million, respectively, in our margin accounts.

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

<i>(in millions)</i>	December 31, 2020		December 31, 2019	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Gross amount recognized on the balance sheet	\$ 17.9	\$ 22.1	\$ 6.9	\$ 28.9
Gross amount not offset on the balance sheet	(6.9)	(7.7) ⁽¹⁾	(1.4)	(21.4) ⁽²⁾
Net amount	\$ 11.0	\$ 14.4	\$ 5.5	\$ 7.5

⁽¹⁾ Includes cash collateral posted of \$0.8 million.

⁽²⁾ Includes cash collateral posted of \$20.0 million.

Cash Flow Hedges

As of December 31, 2020, we had two interest rate swaps with a combined notional value of \$250.0 million to hedge the variable interest rate risk associated with our 2007 Junior Notes. The swaps provide a fixed interest rate of 4.9765% on \$250.0 million of the \$500.0 million of outstanding 2007 Junior Notes through November 15, 2021. As these swaps qualify for cash flow hedge accounting treatment, the related gains and losses are being deferred in accumulated other comprehensive loss and are being amortized to interest expense as interest is accrued on the 2007 Junior Notes.

We previously entered into forward interest rate swap agreements to mitigate the interest rate exposure associated with the issuance of long-term debt related to the acquisition of Integryx. These swap agreements were settled in 2015, and we continue to amortize amounts out of accumulated other comprehensive loss into interest expense over the periods in which the interest costs are recognized in earnings.

The table below shows the amounts related to these cash flow hedges recorded in other comprehensive loss and in earnings, along with our total interest expense on the income statements, for the years ended December 31:

<i>(in millions)</i>	2020	2019	2018
Derivative loss recognized in other comprehensive loss	\$ (5.9)	\$ (4.8)	\$ (2.9)
Net derivative gain (loss) reclassified from accumulated other comprehensive loss to interest expense	(2.1)	1.1	1.6
Total interest expense line item on the income statements	493.7	501.5	445.1

We estimate that during the next twelve months \$5.5 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense.

NOTE 19—GUARANTEES

The following table shows our outstanding guarantees:

<i>(in millions)</i>	Total Amounts Committed at December 31, 2020	Expiration		
		Less Than 1 Year	1 to 3 Years	Over 3 Years
Guarantees supporting transactions of subsidiaries ⁽¹⁾	\$ 71.2	\$ 11.7	\$ 1.2	\$ 58.3
Standby letters of credit ⁽²⁾	69.2	0.1	—	69.1
Surety bonds ⁽³⁾	12.1	12.0	0.1	—
Other guarantees ⁽⁴⁾	10.5	—	—	10.5
Total guarantees	\$ 163.0	\$ 23.8	\$ 1.3	\$ 137.9

⁽¹⁾ Consists of \$4.2 million, \$8.2 million, and \$58.8 million to support the business operations of UMERG, Bluewater, and WECL, respectively.

⁽²⁾ At our request or the request of our subsidiaries, financial institutions have issued standby letters of credit for the benefit of third parties that have extended credit to our subsidiaries. These amounts are not reflected on our balance sheets.

⁽³⁾ Primarily for workers compensation self-insurance programs and obtaining various licenses, permits, and rights-of-way. These amounts are not reflected on our balance sheets.

⁽⁴⁾ Consists of \$10.5 million related to workers compensation coverage for which a liability was recorded on our balance sheets.

NOTE 20—EMPLOYEE BENEFITS

Pension and Other Postretirement Employee Benefits

We and our subsidiaries have defined benefit pension plans that cover substantially all of our employees, as well as several unfunded non-qualified retirement plans. In addition, we and our subsidiaries offer multiple OPEB plans to employees. The benefits for a portion of these plans are funded through irrevocable trusts, as allowed for income tax purposes. We also offer medical, dental, and life insurance benefits to active employees and their dependents. We expense the costs of these benefits as incurred.

Generally, former Wisconsin Energy Corporation employees who started with the company after 1995 receive a benefit based on a percentage of their annual salary plus an interest credit, while employees who started before 1996 receive a benefit based upon years of service and final average salary. Wisconsin Energy Corporation management employees hired after December 31, 2014, and certain new represented employees hired after May 1, 2017, receive an annual company contribution to their 401(k) savings plan instead of being enrolled in the defined benefit plans.

For former Integrys employees, the defined benefit pension plans are closed to all new hires. In addition, the service accruals for the defined benefit pension plans 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 our 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 plans' benefit obligations and fair value of assets:

<i>(in millions)</i>	Pension Benefits		OPEB Benefits	
	2020	2019	2020	2019
Change in benefit obligation				
Obligation at January 1	\$ 3,123.7	\$ 2,927.2	\$ 558.6	\$ 608.2
Service cost	50.1	47.0	15.2	16.3
Interest cost	102.8	120.4	18.6	25.7
Participant contributions	—	—	13.3	12.3
Plan amendments	—	—	(5.0)	(4.0)
Actuarial loss (gain)	311.6	269.3	(1.4)	(60.7)
Benefit payments	(241.8)	(240.2)	(46.1)	(42.3)
Federal subsidy on benefits paid	N/A	N/A	1.3	1.3
Transfer	—	—	1.6	1.8
Obligation at December 31	\$ 3,346.4	\$ 3,123.7	\$ 556.1	\$ 558.6
Change in fair value of plan assets				
Fair value at January 1	\$ 3,007.0	\$ 2,690.8	\$ 879.6	\$ 771.7
Actual return on plan assets	348.1	494.1	103.1	134.3
Employer contributions	111.7	62.3	1.5	3.6
Participant contributions	—	—	13.3	12.3
Benefit payments	(241.8)	(240.2)	(46.1)	(42.3)
Fair value at December 31	\$ 3,225.0	\$ 3,007.0	\$ 951.4	\$ 879.6
Funded status at December 31	\$ (121.4)	\$ (116.7)	\$ 395.3	\$ 321.0

In 2020 and 2019, we had actuarial losses related to our pension benefit obligations of \$311.6 million and \$269.3 million, respectively, which was primarily due to decreases in our discount rates. The discount rate for our pension benefits was 2.67%, 3.41%, and 4.30%, in 2020, 2019, and 2018, respectively.

The 2020 actuarial gain related to our OPEB benefit obligation was not significant. In 2019, we had an actuarial gain related to our OPEB benefit obligation of \$60.7 million, which was primarily due to better than expected claims and premiums experience, the use of new mortality tables, and the repeal of certain health insurance related taxes. These gains were partially offset by a decrease in our discount rate. The discount rate for our OPEB benefits was 3.39% and 4.27%, in 2019 and 2018, respectively.

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

<i>(in millions)</i>	Pension Benefits		OPEB Benefits	
	2020	2019	2020	2019
Other long-term assets	\$ 182.9	\$ 188.8	\$ 418.0	\$ 341.7
Pension and OPEB obligations	304.3	305.5	22.7	20.7
Total net (liabilities) assets	\$ (121.4)	\$ (116.7)	\$ 395.3	\$ 321.0

The accumulated benefit obligation for all defined benefit pension plans was \$3,194.3 million and \$2,992.9 million as of December 31, 2020 and 2019, respectively.

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

<i>(in millions)</i>	2020	2019
Accumulated benefit obligation	\$ 1,555.5	\$ 1,754.2
Fair value of plan assets	1,298.3	1,504.6

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

<i>(in millions)</i>	2020	2019
Projected benefit obligation	\$ 2,034.1	\$ 1,810.1
Fair value of plan assets	1,729.8	1,504.6

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

<i>(in millions)</i>	2020	2019
Accumulated benefit obligation	\$ 25.7	\$ 31.1
Fair value of plan assets	3.0	10.4

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

<i>(in millions)</i>	Pension Benefits		OPEB Benefits	
	2020	2019	2020	2019
Pre-tax accumulated other comprehensive loss ⁽¹⁾				
Net actuarial loss (gain)	\$ 10.4	\$ 10.6	\$ (1.4)	\$ (1.6)
Prior service credits	—	—	(0.1)	(0.1)
Total	\$ 10.4	\$ 10.6	\$ (1.5)	\$ (1.7)
Net regulatory assets (liabilities) ⁽²⁾				
Net actuarial loss (gain)	\$ 1,101.2	\$ 1,067.7	\$ (288.7)	\$ (266.6)
Prior service costs (credits)	1.1	2.7	(78.6)	(88.6)
Total	\$ 1,102.3	\$ 1,070.4	\$ (367.3)	\$ (355.2)

⁽¹⁾ Amounts related to the nonregulated entities are included in accumulated other comprehensive loss.

⁽²⁾ Amounts related to the utilities and WBS are recorded as net regulatory assets or liabilities.

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

<i>(in millions)</i>	Pension Benefits			OPEB Benefits		
	2020	2019	2018	2020	2019	2018
Service cost	\$ 50.1	\$ 47.0	\$ 47.1	\$ 15.2	\$ 16.3	\$ 23.7
Interest cost	102.8	120.4	114.3	18.6	25.7	29.9
Expected return on plan assets	(190.3)	(193.3)	(196.5)	(60.3)	(54.7)	(59.5)
Plan settlement	17.9	11.5	1.0	—	—	—
Amortization of prior service cost (credit)	1.6	2.2	2.7	(15.0)	(15.4)	(15.4)
Amortization of net actuarial loss (gain)	102.6	77.3	94.0	(22.4)	(6.6)	1.0
Net periodic benefit cost (credit)	\$ 84.7	\$ 65.1	\$ 62.6	\$ (63.9)	\$ (34.7)	\$ (20.3)

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

	Pension Benefits		OPEB Benefits	
	2020	2019	2020	2019
Discount rate	2.67%	3.41%	2.60%	3.39%
Rate of compensation increase	4.00%	4.00%	N/A	N/A
Interest credit rate	3.69%	3.70%	N/A	N/A
Assumed medical cost trend rate (Pre 65)	N/A	N/A	5.85%	6.00%
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	2028	2028
Assumed medical cost trend rate (Post 65)	N/A	N/A	5.80%	5.91%
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	2028	2028

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

	Pension Benefits		
	2020	2019	2018
Discount rate	3.34%	4.21%	3.71%
Expected return on plan assets	6.87%	7.12%	7.12%
Rate of compensation increase	4.00%	3.66%	3.66%
Interest credit rate	3.70%	3.72%	3.71%

	OPEB Benefits		
	2020	2019	2018
Discount rate	3.39%	4.27%	3.63%
Expected return on plan assets	7.00%	7.25%	7.25%
Assumed medical cost trend rate (Pre 65)	6.00%	6.25%	6.50%
Ultimate trend rate (Pre 65)	5.00%	5.00%	5.00%
Year ultimate trend rate is reached (Pre 65)	2028	2024	2024
Assumed medical cost trend rate (Post 65)	5.91%	6.01%	6.09%
Ultimate trend rate (Post 65)	5.00%	5.00%	5.00%
Year ultimate trend rate is reached (Post 65)	2028	2028	2028

We consult with our investment advisors on an annual basis to help us 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 fund. For 2021, the expected return on assets assumption is 6.87% for the pension plans and 7.00% for the OPEB plans.

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.

The 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 utilizing 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.

The legacy Wisconsin Energy Corporation pension trust target asset allocations are 35% equity investments, 55% fixed income investments, and 10% private equity and real estate investments. The legacy Integrys pension trust target asset allocations are 45% equity investments, 45% fixed income investments, and 10% private equity and real estate investments. The two legacy Wisconsin Energy Corporation OPEB trusts' target asset allocations are 50% equity investments and 50% fixed income investments, and 70% equity investments and 30% fixed income investments, respectively. The two largest legacy OPEB trusts for Integrys have the same target asset allocations of 45% equity investments and 55% fixed income 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(r), 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:

(in millions)	December 31, 2020							
	Pension Plan Assets				OPEB Assets			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Class								
Equity securities:								
United States equity	\$ 439.2	\$ —	\$ —	\$ 439.2	\$ 141.4	\$ —	\$ —	\$ 141.4
International equity	345.1	—	—	345.1	120.9	—	—	120.9
Fixed income securities: ⁽¹⁾								
United States bonds	—	1,056.4	—	1,056.4	143.0	179.9	—	322.9
International bonds	—	114.3	—	114.3	—	12.0	—	12.0
	\$ 784.3	\$ 1,170.7	\$ —	\$ 1,955.0	\$ 405.3	\$ 191.9	\$ —	\$ 597.2
Investments measured at net asset value				\$ 1,270.0				\$ 354.2
Total	\$ 784.3	\$ 1,170.7	\$ —	\$ 3,225.0	\$ 405.3	\$ 191.9	\$ —	\$ 951.4

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

December 31, 2019

(in millions)	Pension Plan Assets				OPEB Assets			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Class								
Equity securities:								
United States equity	\$ 335.6	\$ —	\$ —	\$ 335.6	\$ 103.0	\$ —	\$ —	\$ 103.0
International equity	321.6	0.7	—	322.3	107.3	0.2	—	107.5
Fixed income securities: ⁽¹⁾								
United States bonds	94.3	887.4	—	981.7	119.1	165.9	—	285.0
International bonds	51.5	87.0	—	138.5	24.6	8.5	—	33.1
	\$ 803.0	\$ 975.1	\$ —	\$ 1,778.1	\$ 354.0	\$ 174.6	\$ —	\$ 528.6
Investments measured at net asset value				\$ 1,228.9				\$ 351.0
Total	\$ 803.0	\$ 975.1	\$ —	\$ 3,007.0	\$ 354.0	\$ 174.6	\$ —	\$ 879.6

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

Cash Flows

We expect to contribute \$11.6 million to the pension plans and \$2.1 million to the OPEB plans in 2021, 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
2021	\$ 237.4	\$ 34.2
2022	231.8	34.4
2023	230.6	34.7
2024	222.2	34.5
2025	215.4	34.5
2026-2030	989.9	169.0

Savings Plans

We sponsor 401(k) savings plans which allow 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 an employer retirement contribution, in which amounts are contributed to the employee's savings plan account based on the employee's wages, age, and years of service. Total costs incurred under all of these plans were \$49.7 million, \$50.9 million, and \$49.3 million in 2020, 2019, and 2018, respectively.

NOTE 21—INVESTMENT IN TRANSMISSION AFFILIATES

We own approximately 60% of ATC, a for-profit, transmission-only company regulated by the FERC for cost of service and certain state regulatory commissions for routing and siting of transmission projects. We also own approximately 75% of ATC Holdco, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC's traditional footprint. ATC's corporate manager has a ten-member board of directors, and ATC Holdco's corporate manager has a four-member board of directors. We have one representative on each board. Each member of the board has only one vote. The following tables provide a reconciliation of the changes in our investments in ATC and ATC Holdco:

(in millions)	2020		
	ATC	ATC Holdco	Total
Balance at January 1	\$ 1,684.7	\$ 36.1	\$ 1,720.8
Add: Earnings from equity method investment	174.3	1.5	175.8
Add: Capital contributions	21.2	—	21.2
Less: Distributions	146.7	—	146.7
Less: Return of capital	—	6.8	6.8
Balance at December 31	\$ 1,733.5	\$ 30.8	\$ 1,764.3

<i>(in millions)</i>	2019		
	ATC	ATC Holdco	Total
Balance at January 1	\$ 1,625.3	\$ 40.0	\$ 1,665.3
Add: Earnings (loss) from equity method investment	132.8	(5.2)	127.6
Add: Capital contributions	51.3	1.3	52.6
Less: Distributions	124.7	—	124.7
Balance at December 31	\$ 1,684.7	\$ 36.1	\$ 1,720.8

<i>(in millions)</i>	2018		
	ATC	ATC Holdco	Total
Balance at January 1	\$ 1,515.8 ⁽¹⁾	\$ 37.6	\$ 1,553.4
Add: Earnings (loss) from equity method investment	139.6	(2.9)	136.7
Add: Capital contributions	48.2	5.3	53.5
Less: Distributions	78.2	—	78.2
Less: Other	0.1	—	0.1
Balance at December 31	\$ 1,625.3	\$ 40.0	\$ 1,665.3

⁽¹⁾ Distributions of \$39.9 million, received in the first quarter of 2018, were approved and recorded as a receivable from ATC in other current assets at December 31, 2017.

In November 2019 and May 2020, the FERC issued orders that addressed complaints related to ATC's allowed ROE. Due to the various outstanding petitions filed related to these orders, our financials continue to include a \$39.1 million liability for potential future refunds that ATC may be required to provide, reducing our equity earnings from ATC. This liability reflects a 10.52% ROE for all periods covered by the complaints.

We pay ATC for network transmission and other related services it provides. In addition, we provide a variety of operational, maintenance, and project management work for ATC, which is reimbursed by ATC. We are also required to initially fund the construction of transmission infrastructure upgrades needed for new generation projects. ATC owns these transmission assets and reimburses us for these costs when the new generation is placed in service.

The following table summarizes our significant related party transactions with ATC during the years ended December 31:

<i>(in millions)</i>	2020	2019	2018
Charges to ATC for services and construction	\$ 27.5	\$ 25.9	\$ 21.8
Charges from ATC for network transmission services	350.5	348.1	338.1
Net refund from ATC related to FERC ROE orders	10.7	—	—
Refund from ATC related to a FERC audit	—	—	22.0

As of December 31, 2020 and 2019, our balance sheets included the following receivables and payables for services provided to or received from ATC:

<i>(in millions)</i>	2020	2019
Accounts receivable for services provided to ATC	\$ 3.7	\$ 3.5
Accounts payable for services received from ATC	29.3	29.0
Amounts due from ATC for transmission infrastructure upgrades	4.6 ⁽¹⁾	2.8 ⁽²⁾

⁽¹⁾ The transmission infrastructure upgrades were primarily related to WE's and WPS's construction of their new solar projects, Badger Hollow II and Badger Hollow I, respectively.

⁽²⁾ The transmission infrastructure upgrades were related to WPS's construction of its two new solar projects, Badger Hollow I and Two Creeks. Amounts due related to Two Creeks were largely reimbursed by ATC in December 2020 as the new generation was placed in service.

Summarized financial data for ATC is included in the tables below:

<i>(in millions)</i>	Year Ended December 31		
	2020	2019	2018
Income statement data			
Operating revenues	\$ 758.1	\$ 744.4	\$ 690.5
Operating expenses	372.5	373.5	358.7
Other expense, net	110.8	110.5	108.3
Net income	\$ 274.8	\$ 260.4	\$ 223.5

<i>(in millions)</i>	December 31, 2020	December 31, 2019
Balance sheet data		
Current assets	\$ 92.7	\$ 84.7
Noncurrent assets	5,400.6	5,244.2
Total assets	\$ 5,493.3	\$ 5,328.9
Current liabilities		
Current liabilities	\$ 310.8	\$ 502.6
Long-term debt	2,512.2	2,312.8
Other noncurrent liabilities	378.2	298.9
Members' equity	2,292.1	2,214.6
Total liabilities and members' equity	\$ 5,493.3	\$ 5,328.9

NOTE 22—SEGMENT INFORMATION

Effective December 31, 2020, we changed our measure of segment profitability from operating income to net income attributed to common shareholders. At December 31, 2020, we reported six segments, which are described below.

- The Wisconsin segment includes the electric and natural gas utility operations of WE, WPS, WG, and U MERC.
- The Illinois segment includes the natural gas utility operations of PGL and NSG.
- The other states segment includes the natural gas utility and non-utility operations of MERC and MGU.
- The electric transmission segment includes our approximate 60% ownership interest in ATC, a for-profit, transmission-only company regulated by the FERC for cost of service and certain state regulatory commissions for routing and siting of transmission projects, and our approximate 75% ownership interest in ATC Holdco, which was formed to invest in transmission-related projects outside of ATC's traditional footprint.
- The non-utility energy infrastructure segment includes:
 - We Power, which owns and leases generating facilities to WE,
 - Bluewater, which owns underground natural gas storage facilities in Michigan that provide approximately one-third of the current storage needs for our Wisconsin natural gas utilities, and
 - WECl, which holds our ownership interests in the following wind generating facilities:
 - 90% ownership interest in Bishop Hill III, located in Henry County, Illinois,
 - 80% ownership interest in Coyote Ridge, located in Brookings County, South Dakota,
 - 90% ownership interest in Upstream, located in Antelope County, Nebraska,
 - 90% ownership interest in Blooming Grove, located in McLean County, Illinois, and
 - 85% ownership interest in Tatanka Ridge, located in Deuel County, South Dakota.

See Note 2, Acquisitions, for more information on Bishop Hill III, Coyote Ridge, Upstream, Blooming Grove, and Tatanka Ridge.

- The corporate and other segment includes the operations of the WEC Energy Group holding company, the Integrys holding company, the PELLC holding company, Wispark, Wisvest, WECC, WBS, and PDL. See Note 3, Dispositions, for more information on the sale of our remaining PDL solar facilities.

All of our operations and assets are located within the United States. The following tables show summarized financial information related to our reportable segments for the years ended December 31, 2020, 2019, and 2018.

2020 (in millions)	Utility Operations				Electric Transmission	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
	Wisconsin	Illinois	Other States	Total Utility Operations					
External revenues	\$ 5,473.5	\$ 1,321.9	\$ 384.1	\$ 7,179.5	\$ —	\$ 60.0	\$ 2.2	\$ —	\$ 7,241.7
Intersegment revenues	—	—	—	—	—	448.5	—	(448.5)	—
Other operation and maintenance	1,476.7	435.4	87.0	1,999.1	—	24.9	17.4	(9.2)	2,032.2
Depreciation and amortization	674.5	196.7	33.5	904.7	—	98.9	25.1	(52.8)	975.9
Equity in earnings of transmission affiliates	—	—	—	—	175.8	—	—	—	175.8
Interest expense	561.3	63.5	10.2	635.0	19.4	60.8	124.0	(345.5)	493.7
Loss on debt extinguishment	—	—	—	—	—	—	38.4	—	38.4
Income tax expense (benefit)	132.7	66.1	13.1	211.9	43.7	44.7	(72.4)	—	227.9
Net income (loss)	691.6	203.5	39.0	934.1	112.6	261.1	(106.4)	—	1,201.4
Net income (loss) attributed to common shareholders	690.4	203.5	39.0	932.9	112.6	260.8	(106.4)	—	1,199.9
Capital expenditures and asset acquisitions	1,382.4	652.7	144.3	2,179.4	—	661.8	33.1	—	2,874.3
Total assets ⁽¹⁾	24,599.2	7,471.8	1,336.2	33,407.2	1,764.7	4,455.2	762.2	(3,361.2)	37,028.1

⁽¹⁾ Total assets at December 31, 2020 reflect an elimination of \$1,824.5 million for all lease activity between We Power and WE.

2019 (in millions)	Utility Operations				Electric Transmission	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
	Wisconsin	Illinois	Other States	Total Utility Operations					
External revenues	\$ 5,647.1	\$ 1,357.1	\$ 426.0	\$ 7,430.2	\$ —	\$ 88.5	\$ 4.4	\$ —	\$ 7,523.1
Intersegment revenues	—	—	—	—	—	407.4	—	(407.4)	—
Other operation and maintenance	1,591.3	461.1	98.5	2,150.9	—	19.7	14.0	0.2	2,184.8
Depreciation and amortization	617.0	181.3	27.5	825.8	—	92.0	24.3	(15.8)	926.3
Equity in earnings of transmission affiliates	—	—	—	—	127.6	—	—	—	127.6
Interest expense	572.0	59.0	8.5	639.5	13.1	62.1	140.9	(354.1)	501.5
Income tax expense (benefit)	35.2	60.2	13.6	109.0	27.1	59.9	(71.0)	—	125.0
Net income (loss)	651.1	170.3	43.2	864.6	87.4	245.5	(62.8)	—	1,134.7
Net income (loss) attributed to common shareholders	649.9	170.3	43.2	863.4	87.4	246.0	(62.8)	—	1,134.0
Capital expenditures and asset acquisitions	1,378.6	624.9	109.1	2,112.6	—	389.9	26.5	—	2,529.0
Total assets ⁽¹⁾	23,934.8	6,932.5	1,237.8	32,105.1	1,723.1	3,654.1	814.0	(3,344.5)	34,951.8

⁽¹⁾ Total assets at December 31, 2019 reflect an elimination of \$1,896.7 million for all lease activity between We Power and WE.

2018 (in millions)	Utility Operations				Electric Transmission	Non-Utility Energy Infrastructure	Corporate and Other	Reconciling Eliminations	WEC Energy Group Consolidated
	Wisconsin	Illinois	Other States	Total Utility Operations					
External revenues	\$ 5,794.7	\$ 1,400.0	\$ 438.2	\$ 7,632.9	\$ —	\$ 37.9	\$ 8.7	\$ —	\$ 7,679.5
Intersegment revenues	—	—	—	—	—	430.5	—	(430.5)	—
Other operation and maintenance	2,076.1	472.3	101.0	2,649.4	—	12.6	1.8	(393.3)	2,270.5
Depreciation and amortization	546.6	170.3	24.1	741.0	—	75.7	29.1	—	845.8
Equity in earnings of transmission affiliates	—	—	—	—	136.7	—	—	—	136.7
Interest expense	200.7	51.2	8.7	260.6	0.3	63.7	125.8	(5.3)	445.1
Income tax expense (benefit)	46.7	51.8	15.9	114.4	53.7	73.9	(72.2)	—	169.8
Net income (loss)	618.2	147.1	44.1	809.4	82.8	228.4	(60.1)	—	1,060.5
Net income (loss) attributed to common shareholders	617.0	147.1	44.1	808.2	82.8	228.4	(60.1)	—	1,059.3
Capital expenditures and asset acquisitions	1,466.1	547.1	103.6	2,116.8	—	260.6	39.7	—	2,417.1
Total assets ⁽¹⁾	23,407.0	6,483.3	1,147.9	31,038.2	1,665.3	3,227.2	959.6	(3,414.5)	33,475.8

⁽¹⁾ Total assets at December 31, 2018 reflect an elimination of \$1,968.5 million for all lease activity between We Power and WE.

NOTE 23—VARIABLE INTEREST ENTITIES

The primary beneficiary of a variable interest entity must consolidate the entity's assets and liabilities. In addition, certain disclosures are required for significant interest holders in variable interest entities.

We assess our relationships with potential variable interest entities, such as our coal suppliers, natural gas suppliers, coal transporters, natural gas transporters, and other counterparties related to PPAs, investments, and joint ventures. In making this assessment, we consider, along with other factors, the potential that our contracts or other arrangements provide subordinated financial support, the obligation to absorb the entity's losses, the right to receive residual returns of the entity, and the power to direct the activities that most significantly impact the entity's economic performance.

Investment in Transmission Affiliates

We own approximately 60% of ATC, a for-profit, electric transmission company regulated by the FERC and certain state regulatory commissions. We have determined that ATC is a variable interest entity but consolidation is not required since we are not ATC's primary beneficiary. As a result of our limited voting rights, we do not have the power to direct the activities that most significantly impact ATC's economic performance. Therefore, we account for ATC as an equity method investment. At December 31, 2020 and 2019, our equity investment in ATC was \$1,733.5 million and \$1,684.7 million, respectively, which approximates our maximum exposure to loss as a result of our involvement with ATC.

We also own approximately 75% of ATC Holdco, a separate entity formed in December 2016 to invest in transmission-related projects outside of ATC's traditional footprint. We have determined that ATC Holdco is a variable interest entity but consolidation is not required since we are not ATC Holdco's primary beneficiary. As a result of our limited voting rights, we do not have the power to direct the activities that most significantly impact ATC Holdco's economic performance. Therefore, we account for ATC Holdco as an equity method investment. At December 31, 2020 and 2019, our equity investment in ATC Holdco was \$30.8 million and \$36.1 million, respectively, which approximates our maximum exposure to loss as a result of our involvement with ATC Holdco.

See Note 21, Investment in Transmission Affiliates, for more information, including any significant assets and liabilities related to ATC and ATC Holdco recorded on our balance sheets.

Power Purchase Agreement

We have a PPA that represents a variable interest. This agreement is for 236 MWs of firm capacity from a natural gas-fired cogeneration facility, and we account for it as a finance lease. The agreement includes no minimum energy requirements over the remaining term of approximately one year. We have examined the risks of the entity, including operations, maintenance, dispatch, financing, fuel costs, and other factors, and have determined that we are not the primary beneficiary of the entity. We do not hold an equity or debt interest in the entity, and there is no residual guarantee associated with the PPA.

We have \$13.6 million of required capacity payments over the remaining term of this agreement. We believe that the required capacity payments under this contract will continue to be recoverable in rates, and our maximum exposure to loss is limited to these capacity payments.

NOTE 24—COMMITMENTS AND CONTINGENCIES

We and our subsidiaries 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

Our electric utilities have obligations to distribute and sell electricity to their customers, and our natural gas utilities have obligations to distribute and sell natural gas to their customers. The utilities 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 wind generation facilities that are part of our non-utility energy infrastructure segment have obligations to distribute and sell electricity through long-term offtake agreements with their customers for all of the energy produced. These projects also enter into related easements and other agreements associated with the generating facilities.

The following table shows our minimum future commitments related to these purchase obligations as of December 31, 2020, including those of our subsidiaries.

(in millions)	Date Contracts Extend Through	Total Amounts Committed	Payments Due By Period						
			2021	2022	2023	2024	2025	Later Years	
Electric utility:									
Nuclear	2033	\$ 7,843.9	\$ 501.1	\$ 531.2	\$ 563.1	\$ 596.8	\$ 632.6	\$ 5,019.1	
Coal supply and transportation	2024	600.1	257.8	190.6	151.0	0.7	—	—	
Purchased power	2051	339.7	58.2	51.6	46.5	43.4	44.6	95.4	
Natural gas utility:									
Supply and transportation	2048	1,805.8	337.4	318.1	236.7	162.5	96.4	654.7	
Non-utility energy infrastructure:									
Purchased power	2061	380.1	18.4	18.2	18.0	18.1	18.5	288.9	
Natural gas storage and transportation	2048	9.8	6.7	1.3	0.8	—	—	1.0	
Total		\$ 10,979.4	\$ 1,179.6	\$ 1,111.0	\$ 1,016.1	\$ 821.5	\$ 792.1	\$ 6,059.1	

Environmental Matters

Consistent with other companies in the energy 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 air emissions such as SO₂, NO_x, fine particulates, mercury, and GHGs; water intake and discharges; management of coal combustion products such as fly ash; 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 renewable electric energy supply;
- the addition of improvements for water quality matters such as treatment technologies to meet regulatory discharge limits and improvements to our cooling water intake systems;
- the addition of emission control equipment to existing facilities to comply with ambient air quality standards and federal clean air rules;
- the protection of wetlands and waterways, threatened and endangered species, and cultural resources associated with utility construction projects;
- the retirement of older coal-fired power plants and conversion to modern, efficient, natural gas generation, super-critical pulverized coal generation, and/or replacement with renewable generation;
- the beneficial use of ash and other products from coal-fired and biomass generating units;
- the remediation of former manufactured gas plant sites; and
- the reduction of methane emissions across our natural gas distribution system by upgrading infrastructure.

Air Quality

National Ambient Air Quality Standards – After completing its review of the 2008 ozone standard, the EPA released a final rule in October 2015, creating a more stringent standard than the 2008 NAAQS. The 2015 ozone standard lowered the 8-hour limit for ground-level ozone. In December 2020, the EPA completed its 5-year review of the ozone standard and issued a final decision to retain, without any changes, the existing 2015 standard.

The EPA issued final nonattainment area designations for the 2015 standard in April 2018. The following counties within our service territories were designated as partial nonattainment: Door, Kenosha, Sheboygan, Manitowoc, and Northern Milwaukee/Ozaukee. This re-designation was challenged in the D.C. Circuit Court of Appeals in *Clean Wisconsin et al. v. U.S. Environmental Protection Agency*. Petitioners in that case have argued that additional portions of Milwaukee, Waukesha, Ozaukee, and Washington Counties (among others) should be designated as nonattainment for ozone. In November 2019, the D.C. Circuit Court of Appeals heard oral arguments for that case. A decision was issued in July 2020 remanding the rule to the EPA for further evaluation. We expect that any subsequent EPA re-designation, if necessary, would take place in 2021. The State of Wisconsin submitted the "infrastructure" portion of its state implementation plan outlining how it will implement, maintain, and enforce the 2015 ozone standard. The plan is subject to EPA review and approval. Additionally, in January 2021, the WDNR issued a notice that it had prepared a draft economic impact analysis for proposed rules related to incorporating the 2015 standards into the state administrative code. We believe we are well positioned to meet the requirements associated with the ozone standard and do not expect to incur significant costs to comply with associated state or federal rules.

In addition to the 2015 ozone standard, in December 2020, the EPA completed its 5-year review of the 2012 standard for particulate matter, including fine particulate matter. The EPA determined that no revisions were necessary to the current standard. All counties within our service territories are in attainment with the 2012 standards; however, we expect that the decision to retain the 2012 standards with no changes will be challenged by certain states and non-governmental organizations.

Climate Change – The ACE rule, effective since September 2019, was vacated by the D.C. Circuit Court of Appeals in January 2021. The ACE rule replaced the CPP and provided existing coal-fired generating units with standards for achieving GHG emission reductions. It is unclear what steps the EPA will take next. The EPA could either revive an updated version of the CPP or draft a new rule to regulate GHG emissions.

In December 2018, the EPA proposed to revise the NSPS for GHG emissions from new, modified, and reconstructed fossil-fueled power plants. In the proposed rule, the EPA determined that the BSER for new, modified, and reconstructed coal units is highly efficient generation that would be equivalent to supercritical steam conditions for larger units and subcritical steam conditions for smaller units. This proposed BSER would replace the determination from the previous rule, which identified BSER as partial carbon capture and storage.

In January 2021, the EPA finalized the NSPS but did not address the BSER as proposed in 2018. Instead, the EPA shifted the focus to finalizing a significant contribution finding for purposes of regulating source categories for GHG emissions. While the EPA confirmed that EGUs remain a listed source category, the EPA concluded that no other source category should be listed. The EPA based its conclusion on the fact that no other source category, except for EGUs, should contribute to GHG emissions above a 3% threshold. BSER may be addressed in a future action by the EPA. If the rule is not repealed, it will become effective in March 2021. Despite this uncertainty, we continue to move forward on the ESG Progress Plan which is heavily focused on reducing GHG emissions.

The ESG Progress Plan includes the retirement of older, fossil-fueled generation, to be replaced with the construction of zero-carbon-emitting renewable generation and natural gas-fired generation. In 2019, we met and surpassed our original goal to reduce CO₂ emissions by 40% below 2005 levels by 2030. In July 2020, we announced new goals to reduce CO₂ emissions from our electric generation by 70% below 2005 levels by 2030 and to be net carbon neutral by 2050. We added a near-term goal in November 2020 to reduce CO₂ emissions by 55% below 2005 levels by 2025. We have already retired more than 1,800 MW of coal-fired generation since the beginning of 2018. As part of the ESG Progress Plan, we expect to retire approximately 1,800 MW of additional fossil-fueled generation by 2025 and to invest in low-cost renewable energy in Wisconsin. Our plan is to replace a portion of the retired capacity by building and owning a combination of natural gas-fired generation and zero-carbon-emitting renewable generation facilities.

We also have a goal to decrease the rate of methane emissions from the natural gas distribution lines in our network by 30% per mile by the year 2030 from a 2011 baseline. We were over half way toward meeting that goal at the end of 2020.

We are required to report our CO₂ equivalent emissions from the electric generating facilities we operate under the EPA Greenhouse Gases Reporting Program. Based upon our preliminary analysis of the data, we estimate that we will report CO₂ equivalent emissions of approximately 20.1 million metric tonnes to the EPA for 2020. The level of CO₂ and other GHG emissions varies from year to year and is dependent on the level of electric generation and mix of fuel sources, which is determined primarily by demand, the availability of the generating units, the unit cost of fuel consumed, and how our units are dispatched by MISO.

We are also required to report CO₂ equivalent emissions related to the natural gas that our natural gas utilities distribute and sell. Based upon our preliminary analysis of the data, we estimate that we will report CO₂ equivalent emissions of approximately 27.4 million metric tonnes to the EPA for 2020.

National Emission Standards for Hazardous Air Pollutants – Major Source Classification – In November 2020, the EPA published a final rule to eliminate the "once-in-always-in" policy regarding major and area source classifications under the National Emission Standards for Hazardous Air Pollutants. The final rule revised the definition of "major source" to allow for the reclassification as an area source when the source's potential to emit hazardous air pollutants meets certain criteria. Technical corrections to this final rule were published in December 2020. We do not expect the revisions to the major source classification will have a material impact on our financial condition or results of operations.

Cross-State Air Pollution Rule Update Rule Revision – In 2015, the EPA determined that several upwind states had failed to submit state implementation plans that addressed their "Good Neighbor" obligations (i.e., the states projected NO_x emissions significantly contribute to a continuing downwind nonattainment and/or maintenance problem); therefore, by statute, the EPA was required to issue a federal implementation plan. In October 2020, the EPA proposed a CSAPR update rule revision that keeps nine of the 21 CSAPR affected states (including Wisconsin) as a Group 2 NO_x ozone season trading program source and found that the prior CSAPR update is sufficient to meet its "Good Neighbor" obligations. No further NO_x reductions would be

needed within these nine states. We do not expect that the proposed rule, if finalized, will have a material impact on our financial condition or results of operations.

Water Quality

Clean Water Act Cooling Water Intake Structure Rule – In August 2014, the EPA issued a final regulation under Section 316(b) of the Clean Water Act that requires the location, design, construction, and capacity of cooling water intake structures at existing power plants to reflect the BTA for minimizing adverse environmental impacts. The rule became effective in October 2014 and applies to all of our existing generating facilities with cooling water intake structures, except for the ERGS units, which were permitted under the rules governing new facilities.

We have received BTA determinations for OC 5 through OC 8, Weston Units 2, 3, and 4, and VAPP. Although we currently believe that existing technology at the PWGS satisfies the BTA requirements, final determinations will not be made until the discharge permit is renewed for this facility, which is expected to be in 2021. We anticipate that the permit renewal will include a final BTA determination to address all of the Section 316(b) rule requirements.

As a result of past capital investments completed to address Section 316(b) compliance at WE and WPS, we believe our fleet overall is well positioned to meet the regulation and do not expect to incur significant additional costs to comply with this regulation.

Steam Electric Effluent Limitation Guidelines – The EPA's final 2015 ELG rule took effect in January 2016 and was modified in 2020 to revise the treatment technology requirements related to BATW and wet FGD wastewaters at existing facilities. The latest compliance date under the ELG rule is December 31, 2023. This rule created new requirements for several types of power plant wastewaters. The two new requirements that affect WE and WPS relate to discharge limits for BATW and wet FGD wastewater. As a result of past capital investments at WE and WPS, we believe our fleet is well positioned to meet the existing ELG regulations. Our power plant facilities already have advanced wastewater treatment technologies installed that meet many of the discharge limits established by this rule. There will, however, need to be modifications to the BATW systems at Weston Unit 3 and OC 7 and OC 8. Wastewater treatment system modifications will be required for wet FGD discharges and site wastewater from the OCPP and ERGS units. Based on engineering cost estimates, we expect that compliance with the ELG rule will require approximately \$110 million in capital investment.

Land Quality

Manufactured Gas Plant Remediation – We have identified sites at which our utilities 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. Our natural gas utilities are responsible for the environmental remediation of these sites, some of which are in the EPA Superfund Alternative Approach Program. We are also working with various state jurisdictions in our investigation and remediation planning. These sites are at various stages of investigation, monitoring, remediation, and closure.

In addition, we are coordinating the investigation and cleanup of some of these sites subject to the jurisdiction of the EPA under what is called a "multisite" program. This program involves prioritizing the work to be done at the sites, preparation and approval of documents common to all of the sites, and use of a consistent approach in selecting remedies. At this time, we cannot estimate future remediation costs associated with these sites beyond those described below.

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, our regulators have 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 manufactured gas plant sites as of December 31:

<i>(in millions)</i>	2020	2019
Regulatory assets	\$ 638.2	\$ 685.5
Reserves for future environmental remediation	532.9	589.2

Renewables, Efficiency, and Conservation

Wisconsin Legislation – In 2005, Wisconsin enacted Act 141, which established a goal that 10% of all electricity consumed in Wisconsin be generated by renewable resources annually. WE and WPS have achieved their required renewable energy percentages of 8.27% and 9.74%, respectively, by constructing various wind parks, a solar park, a biomass facility, and by also relying on renewable energy purchases. WE and WPS continue to review their renewable energy portfolios and acquire cost-

effective renewables as needed to meet their requirements on an ongoing basis. The PSCW administers the renewable program related to Act 141, and each utility funds the program based on 1.2% of its annual retail operating revenues.

Michigan Legislation – In December 2016, Michigan enacted Act 342, which required 12.5% of the state's electric energy to come from renewables for 2019 and 2020, and energy optimization (efficiency) targets up to 1% annually. The renewable requirement increased to 15.0% for 2021. UMERC was in compliance with its requirements under this statute as of December 31, 2020. The legislation continues to allow recovery of costs incurred to meet the standards and provides for ongoing review and revision to assure the measures taken are cost-effective.

Enforcement and Litigation Matters

We and our subsidiaries 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.

Consent Decrees

Wisconsin Public Service Corporation – Weston and Pulliam Power Plants – In November 2009, the EPA issued an NOV to WPS, which alleged violations of the CAA's New Source Review requirements relating to certain projects completed at the Weston and Pulliam power plants from 1994 to 2009. WPS entered into a Consent Decree with the EPA resolving this NOV. This Consent Decree was entered by the United States District Court for the Eastern District of Wisconsin in March 2013.

With the retirement of Pulliam Units 7 and 8 in October 2018, WPS completed the mitigation projects required by the Consent Decree and received a completeness letter from the EPA in October 2018. See Note 6, Regulatory Assets and Liabilities, for more information about the retirement. We are working with the EPA on a closeout process for the Consent Decree.

Joint Ownership Power Plants – Columbia and Edgewater – In December 2009, the EPA issued an NOV to Wisconsin Power and Light Company, the operator of the Columbia and Edgewater plants, and the other joint owners of these plants, including Madison Gas and Electric, WE (former co-owner of an Edgewater unit), and WPS. The NOV alleged violations of the CAA's New Source Review requirements related to certain projects completed at those plants. WPS, along with Wisconsin Power and Light Company, Madison Gas and Electric, and WE, entered into a Consent Decree with the EPA resolving this NOV. This Consent Decree was entered by the United States District Court for the Western District of Wisconsin in June 2013. As a result of the continued implementation of the Consent Decree related to the jointly owned Columbia and Edgewater plants, the Edgewater 4 generating unit was retired in September 2018. See Note 6, Regulatory Assets and Liabilities, for more information about the retirement. Wisconsin Power and Light Company has started the process to close out this Consent Decree.

NOTE 25—SUPPLEMENTAL CASH FLOW INFORMATION

<i>(in millions)</i>	Year Ended December 31		
	2020	2019	2018
Cash paid for interest, net of amount capitalized	\$ 492.9	\$ 485.9	\$ 441.5
Cash paid (received) for income taxes, net	27.9	(24.9)	16.3
Significant non-cash investing and financing transactions:			
Accounts payable related to construction costs	153.1	159.9	65.9
Non-cash capital contributions from noncontrolling interest	—	21.0	—
Receivable related to corporate-owned life insurance proceeds	—	—	7.7

The statements of cash flows include our activity related to cash, cash equivalents, and restricted cash. Our restricted cash primarily consists of the cash held in the Integrys rabbi trust, which is used to fund participants' benefits under the Integrys deferred compensation plan and certain Integrys non-qualified pension plans. All assets held within the rabbi trust are restricted as they can only be withdrawn from the trust to make qualifying benefit payments. Our restricted cash also includes the restricted cash we received when WECL acquired ownership interests in certain wind generation projects. This cash is restricted as it can only be used to pay for any remaining costs associated with the construction of these wind generation facilities. See Note 2, Acquisitions, for more information on the acquisitions of these wind generation projects.

The following table reconciles the cash, cash equivalents, and restricted cash amounts reported within the balance sheets at December 31 to the total of these amounts shown on the statements of cash flows:

<i>(in millions)</i>	2020	2019	2018
Cash and cash equivalents	\$ 24.8	\$ 37.5	\$ 84.5
Restricted cash included in other current assets	—	—	2.5
Restricted cash included in other long term assets	47.8	44.8	59.1
Cash, cash equivalents, and restricted cash	\$ 72.6	\$ 82.3	\$ 146.1

NOTE 26—REGULATORY ENVIRONMENT

Coronavirus Disease – 2019

The global outbreak of COVID-19 was declared a pandemic by the WHO and the CDC. COVID-19 has spread globally, including throughout the United States and, in turn, our service territories. Each of the states in which our regulated utilities operate declared a public health emergency and issued shelter-in-place orders in response to the COVID-19 pandemic. All of the shelter-in-place orders have since expired or been lifted. The PSCW, the ICC, the MPUC, and the MPSC have all issued written orders requiring certain actions to ensure that essential utility services were, and continue to be, available to customers in their respective jurisdictions. A summary of these orders is included below.

Wisconsin

On March 24, 2020, the PSCW issued two orders in response to the COVID-19 pandemic. The first order required all public utilities in the state of Wisconsin, including WE, WPS, and WG, to temporarily suspend disconnections, the assessment of late fees, and deposit requirements for all customer classes. In addition, it required utilities to reconnect customers that were previously disconnected, offer deferred payment arrangements to all customers, and streamline the application process for customers applying for utility service.

In the second order issued on March 24, 2020, the PSCW authorized Wisconsin utilities to defer expenditures and certain foregone revenues resulting from compliance with the first order, and expenditures as otherwise incurred to ensure safe, reliable, and affordable access to utility services during the declared public health emergency. The PSCW has affirmed that this authorization for deferral includes the incremental increase in uncollectible expense above what is currently being recovered in rates. As WE, WPS, and WG already have a cost recovery mechanism in place to recover uncollectible expense for residential customers, this new deferral only impacts the recovery of uncollectible expense for their commercial and industrial customers. See Note 5, Credit Losses, for information regarding changes to our allowance for credit losses related to COVID-19. As of December 31, 2020, the total amount deferred at our Wisconsin utilities related to the COVID-19 pandemic was not significant. The PSCW will review the recoverability and examine the prudence of any deferred amounts in future rate proceedings.

On June 26, 2020, the PSCW issued a written order providing a timeline for the lifting of the temporary provisions required in the first March 24, 2020 order. Utilities were allowed to disconnect commercial and industrial customers and require deposits for new service as of July 25, 2020 and July 31, 2020, respectively. After August 15, 2020, utilities were no longer required to offer deferred payment arrangements to all customers. Additionally, utilities were authorized to reinstate late fees except for the period between the first order and this supplemental order. Our Wisconsin utilities resumed charging late payment fees in late August 2020. Late payment fees were not charged on outstanding balances that were billed between the first order and late August 2020.

The PSCW extended the moratorium on disconnections of residential customers until November 1, 2020. In accordance with Wisconsin regulations, utilities are generally not allowed to disconnect residential customers for non-payment during the winter moratorium, which began on November 1 and ends on April 15. Utilities are allowed to continue assessing late fees during the winter moratorium.

Illinois

On March 18, 2020, the ICC issued an order to all Illinois utilities, including PGL and NSG, requiring, among other things, a moratorium on disconnections of utility service and a suspension of late fees and penalties during the declared public health emergency. These provisions applied to all utility customer classes. Illinois utilities were also required to temporarily enact more flexible credit and collections procedures.

On June 18, 2020, the ICC issued a written order approving a settlement agreement negotiated by Illinois utilities, ICC staff, and certain intervenors. The key terms of the settlement agreement included the following:

- The moratorium on disconnections and the suspension of late fees and penalties were extended until July 26, 2020.

- Customers disconnected after June 18, 2019 could be reconnected without being assessed a reconnection fee if reconnection was requested prior to August 25, 2020.
- Flexible deferred payment arrangements were required to be offered to residential and commercial and industrial customers for an extended period of time and with reduced down payment requirements.
- Deposit requirements were waived until August 25, 2020 for all residential customers, and were waived for an additional four months for residential customers that verbally expressed financial hardship.
- PGL and NSG were required to establish a bill payment assistance program with approximately \$12.0 million and \$1.2 million, respectively, available for eligible residential customers to provide relief from high arrearages.

In addition to the above, the settlement agreement authorized PGL and NSG to implement a SPC rider for the recovery of incremental direct costs resulting from COVID-19, foregone late fees and reconnection charges, and the costs associated with their bill payment assistance programs. PGL and NSG began recovering costs under the SPC rider on October 1, 2020. Amounts deferred under the SPC rider are being recovered over 36 months and will be subject to review and reconciliation by the ICC. As of December 31, 2020, PGL's and NSG's regulatory assets related to the COVID-19 pandemic were \$19.4 million, collectively.

Subsequent to the approval of the settlement agreement, and at the request of the ICC, PGL and NSG agreed to extend the moratorium on disconnections for qualified low-income residential customers and residential customers expressing financial hardship through March 31, 2021. The annual winter moratorium in Illinois that generally prohibits PGL and NSG from disconnecting residential customers for non-payment began on December 1 and ends on March 31. Additionally, PGL and NSG voluntarily extended the availability of deferred payment arrangements with reduced down payment requirements to residential and commercial and industrial customers until March 31, 2021.

Minnesota

On May 22, 2020, the MPUC issued a written order authorizing Minnesota utilities, including MERC, to track and defer COVID-19 related expenses and certain foregone revenues. The MPUC will review the recoverability and examine the prudence of any deferred amounts in future rate proceedings. As of December 31, 2020, amounts deferred at MERC related to the COVID-19 pandemic were not significant.

On June 18, 2020, the MPUC verbally ordered Minnesota utilities to temporarily suspend disconnections and waive reconnection fees, service deposits, late fees, interest, and penalties for all residential customers. In addition, utilities were required to immediately reconnect residential customers that were previously disconnected. On August 13, 2020, the MPUC issued a written order affirming these temporary provisions. The order will remain in effect until 60 days after Minnesota's declared peacetime emergency expires. Currently, the peacetime order is set to expire on March 15, 2021, meaning the MPUC's order would expire on May 14, 2021. The expiration date of Minnesota's peacetime emergency, and the corresponding expiration date of the MPUC order, are subject to change. The annual winter moratorium in Minnesota that generally prohibits MERC from disconnecting residential customers for non-payment began on October 15, 2020 and does not end until April 15, 2021.

Prior to the verbal order issued by the MPUC, MERC had voluntarily taken actions to ensure its customers continued to receive utility services during the pandemic. These actions included, but were not limited to, temporarily suspending disconnections and waiving late payment fees for residential and small commercial and industrial customers that entered into payment plans.

Michigan

On April 15, 2020, the MPSC issued a written order requiring Michigan utilities, including MGU and UMER, to put certain minimum protections in place during the COVID-19 pandemic. The minimum protections required by the order include the suspension of disconnections, late payment fees, deposits, and reconnection fees for certain vulnerable customers. In addition, utilities are required to extend access to and enhance the flexibility of payment plans to customers financially impacted by COVID-19. The order will remain in effect until further notice from the MPSC.

As required in the MPSC order, MGU and UMER filed responses with the MPSC on April 20, 2020 affirming the actions they are taking to protect customers. The actions being taken by MGU and UMER provide protections to more customers than required by the MPSC order. These actions include suspending disconnections for all residential customers, waiving deposit requirements for new service, suspending the assessment of late fees for customers that have entered into payment plans, and enhancing payment plan options for all customers.

The April 15, 2020 MPSC order also authorized all Michigan utilities to defer, for potential future recovery, uncollectible expense incurred on or after March 24, 2020 that exceeds the amounts being recovered in rates. On July 23, 2020, the MPSC issued an order denying Michigan utilities' ability to defer additional COVID-19 related expenses and certain foregone revenues. The MPSC indicated that utilities can still seek recovery of these costs and foregone revenues by filing additional information on the specifics of their request. MGU and UMER filed comments with the MPSC on November 2, 2020 indicating that they have not

experienced any material additional COVID-19 related expenses or foregone revenues, but that they will continue to monitor them and will notify the MPSC if they become material. At December 31, 2020, our Michigan utilities had not recorded any deferrals related to the COVID-19 pandemic.

Tax Cuts and Jobs Act of 2017

Due to the Tax Legislation, our regulated utilities deferred for return to ratepayers, through future refunds, bill credits, riders, or reductions in other regulatory assets, the estimated tax benefit of \$2,529 million that resulted from the revaluation of deferred taxes. The Tax Legislation also reduced the corporate federal tax rate from a maximum of 35% to a 21% rate, effective January 1, 2018. We received written orders from the PSCW and the MPSC addressing the refunding of certain of these tax benefits to ratepayers in Wisconsin and Michigan, respectively. The ICC approved the VITA in Illinois, and the MPUC addressed the impacts to MERC in its 2018 rate order. See the Variable Income Tax Adjustment Rider discussion and the 2018 Minnesota Rate Order discussion below for more information. Summaries of the Wisconsin and Michigan orders are provided below.

Wisconsin

In May 2018, the PSCW issued an order regarding the benefits associated with the Tax Legislation. The PSCW order required WE's and WPS's electric utility operations to use 80% and 40%, respectively, of the current 2018 and 2019 tax benefits to reduce certain regulatory assets. The remaining 20% and 60% at WE and WPS, respectively, was returned to electric customers in the form of bill credits. For our Wisconsin natural gas utility operations, the PSCW indicated that 100% of the current 2018 and 2019 tax benefits should be returned to natural gas customers in the form of bill credits. Regarding the net tax benefit associated with the revaluation of deferred taxes, amortization required in accordance with normalization accounting was used to reduce certain regulatory assets for our electric utilities and was deferred at our natural gas utilities. The timing and method of returning the remaining net tax benefit associated with the revaluation of deferred taxes was addressed in the rate orders issued by the PSCW in December 2019. See the 2020 and 2021 Rates discussion below for more information.

Michigan

In February 2018, the MPSC issued an order requiring Michigan utilities to make three filings related to the Tax Legislation. The first of those filings, which was filed in March 2018, prospectively addressed the impact on base rates for the change in tax expense resulting from the federal tax rate reduction from 35% to 21%. MGU and UMEREC proposed providing a volumetric bill credit, subject to reconciliation and true up. In May 2018, the MPSC issued orders approving settlements that resulted in volumetric bill credits for all of MGU's and UMEREC's customers effective July 1, 2018. The bill credits will remain in effect until each company's next rate proceeding.

The second filing, which was filed in July 2018, addressed the impact on base rates for the change in tax expense resulting from the federal tax rate reduction from 35% to 21% from January 1, 2018 until July 1, 2018. MGU and UMEREC proposed to return the tax savings from these months to customers via volumetric bill credits over multiple months. The MPSC issued orders approving settlements in September 2018. In accordance with the settlement orders, the savings were returned to MGU's and UMEREC's customers via volumetric bill credits that were in effect from October 1, 2018 through December 31, 2018.

The third filing was filed in October 2018 and addressed the remaining impacts of the Tax Legislation on base rates – most notably the re-measurement of deferred tax balances. MGU and UMEREC proposed providing a volumetric bill credit, subject to reconciliation and true up, to return these remaining impacts of the Tax Legislation to customers. The MPSC issued orders approving settlements in May 2019. The settlement orders provide for volumetric bill credits to MGU's and UMEREC's customers effective June 1, 2019. For MGU's customers and UMEREC's electric customers, the bill credits will remain in effect until each company's next rate proceeding. Effective July 1, 2020, the bill credits were temporarily suspended for UMEREC's natural gas customers.

WE, which served one retail electric customer in Michigan, reached a settlement with that customer. That settlement was approved by the MPSC in May 2018 and addressed all base rate impacts of the Tax Legislation, which were returned to the customer through bill credits.

Wisconsin Electric Power Company, Wisconsin Public Service Corporation, and Wisconsin Gas LLC
2020 and 2021 Rates

In March 2019, WE, WPS, and WG filed applications with the PSCW to increase their retail electric, natural gas, and steam rates, as applicable, effective January 1, 2020. In August 2019, all three utilities filed applications with the PSCW for approval of settlement agreements entered into with certain intervenors to resolve several outstanding issues in each utility's respective rate case. In December 2019, the PSCW issued written orders that approved the settlement agreements without material modification and addressed the remaining outstanding issues that were not included in the settlement agreements. The new rates became effective January 1, 2020. The final orders reflect the following:

	WE	WPS	WG
2020 Effective rate increase (decrease)			
Electric ^{(1) (2)}	\$ 15.3 million / 0.5%	\$ 15.8 million / 1.6%	N/A
Gas ⁽³⁾	\$ 10.4 million / 2.8%	\$ 4.3 million / 1.4%	\$ (1.5) million / (0.2)%
Steam	\$ 1.9 million / 8.6%	N/A	N/A
ROE	10.0%	10.0%	10.2%
Common equity component average on a financial basis	52.5%	52.5%	52.5%

⁽¹⁾ Amounts are net of certain deferred tax benefits from the Tax Legislation that were utilized to reduce near-term rate impact. The WE and WPS rate orders reflect the majority of the unprotected deferred tax benefits from the Tax Legislation being amortized over two years. For WE, approximately \$65 million of tax benefits will be amortized in each of 2020 and 2021. For WPS, approximately \$11 million of tax benefits were amortized in 2020 and approximately \$39 million will be amortized in 2021. The unprotected deferred tax benefits related to the unrecovered balances of WE's recently retired plants and its SSR regulatory asset were used to reduce the related regulatory asset. Unprotected deferred tax benefits by their nature are eligible to be returned to customers in a manner and timeline determined to be appropriate by our regulators.

⁽²⁾ The WPS rate order is net of \$21 million of refunds related to its 2018 earnings sharing mechanism. These refunds are being made to customers evenly over two years, with half returned in 2020 and the remainder being returned in 2021.

⁽³⁾ The WE amount includes certain deferred tax expense from the Tax Legislation, and the WPS and WG amounts are net of certain deferred tax benefits from the Tax Legislation that were utilized to reduce near-term rate impact. The rate orders for all three gas utilities reflect all of the unprotected deferred tax expense and benefits from the Tax Legislation being amortized evenly over four years. For WE, approximately \$5 million of previously deferred tax expense will be amortized each year. For WPS and WG, approximately \$5 million and \$3 million, respectively, of previously deferred tax benefits will be amortized each year. Unprotected deferred tax expense and benefits by their nature are eligible to be recovered from or returned to customers in a manner and timeline determined to be appropriate by our regulators.

In accordance with its rate order, WE filed an application with the PSCW on July 20, 2020 requesting a financing order to securitize \$100 million of Pleasant Prairie power plant's book value, plus the carrying costs accrued on the \$100 million during the securitization process and related fees. On November 17, 2020, the PSCW issued a written order approving the application. The securitization is expected to reduce the carrying costs for the \$100 million, benefiting customers.

The WPS rate order allows WPS to collect the previously deferred revenue requirement for ReACT™ costs above the authorized \$275.0 million level. The total cost of the ReACT™ project was \$342 million. This regulatory asset will be collected from customers over eight years.

All three Wisconsin utilities will continue having an earnings sharing mechanism through 2021. The earnings sharing mechanism was modified from its previous structure to one that is consistent with other Wisconsin investor-owned utilities. Under the new earnings sharing mechanism, if the utility earns above its authorized ROE: (i) the utility retains 100.0% of earnings for the first 25 basis points above the authorized ROE; (ii) 50.0% of the next 50 basis points is refunded to customers; and (iii) 100.0% of any remaining excess earnings is refunded to customers. In addition, the rate orders also require WE, WPS, and WG to maintain residential and small commercial electric and natural gas customer fixed charges at previously authorized rates and to maintain the status quo for WE's and WPS's electric market-based rate programs for large industrial customers through 2021.

2018 and 2019 Rates

During April 2017, WE, WPS, and WG filed an application with the PSCW for approval of a settlement agreement they made with several of their commercial and industrial customers regarding 2018 and 2019 base rates. In September 2017, the PSCW issued an order that approved the settlement agreement, which froze base rates through 2019 for electric, natural gas, and steam customers of WE, WPS, and WG. Based on the PSCW order, the authorized ROE for WE, WPS, and WG remained at 10.2%, 10.0%, and 10.3%, respectively, and the capital cost structure for all of our Wisconsin utilities remained unchanged through 2019.

In addition to freezing base rates, the settlement agreement extended and expanded the electric real-time market pricing program options for large commercial and industrial customers and mitigated the continued growth of certain escrowed costs at WE during the base rate freeze period by accelerating the recognition of certain tax benefits. WE was flowing through the tax benefit of its repair-related deferred tax liabilities in 2018 and 2019, to maintain certain regulatory asset balances at their December 31, 2017 levels. While WE would typically follow the normalization accounting method and utilize the tax benefits of the deferred tax liabilities in rate-making as an offset to rate base, benefiting customers over time, the federal tax code does allow for passing these tax repair-related benefits to ratepayers much sooner using the flow through accounting method. The

flow through treatment of the repair-related deferred tax liabilities offset the negative income statement impact of holding the regulatory assets level, resulting in no change to net income.

The agreement also allowed WPS to extend through 2019, the deferral for the revenue requirement of ReACT™ costs above the authorized \$275.0 million level, and other deferrals related to WPS's electric real-time market pricing program and network transmission expenses.

Pursuant to the settlement agreement, WPS also agreed to adopt, beginning in 2018, the earnings sharing mechanism that had been in place for WE and WG since January 2016, and all three utilities agreed to keep the mechanism in place through 2019. Under this earnings sharing mechanism, if WE, WPS, or WG earned above its authorized ROE, 50% of the first 50 basis points of additional utility earnings were required to be refunded to customers. All utility earnings above the first 50 basis points were also required to be refunded to customers.

Liquefied Natural Gas Facilities

In November 2019, WE and WG filed a joint application with the PSCW requesting approval for each company to construct its own LNG facility. If approved, each facility would provide one Bcf of natural gas supply to meet peak demand without requiring the construction of additional interstate pipeline capacity. These facilities are expected to reduce the likelihood of constraints on WE's and WG's natural gas systems during the highest demand days of winter. The total cost of both projects is estimated to be approximately \$370 million, with approximately half being invested by each utility. A decision from the PSCW is expected in 2021, and commercial operation of the LNG facilities is targeted for the end of 2023.

Solar Generation Projects

In August 2019, WE, along with an unaffiliated utility, filed an application with the PSCW for approval to acquire an ownership interest in a proposed solar project, Badger Hollow II, that will be located in Iowa County, Wisconsin. Once constructed, WE will own 100 MW of this project. WE's share of the cost of this project is estimated to be \$130 million. The PSCW issued a written order approving the acquisition of this project in March 2020. Commercial operation of Badger Hollow II is targeted for December 2022.

In May 2018, WPS, along with an unaffiliated utility, filed an application with the PSCW for approval to acquire ownership interests in two solar projects in Wisconsin. Badger Hollow I is located in Iowa County, Wisconsin, and Two Creeks is located in Manitowoc County, Wisconsin. The PSCW approved the acquisition of these two projects in April 2019. Commercial operation was achieved in November 2020 for Two Creeks, and is targeted for the second quarter of 2021 for Badger Hollow I. WPS owns 100 MW of Two Creeks and will own 100 MW of Badger Hollow I for a total of 200 MW. WPS's share of the cost of both projects is estimated to be approximately \$260 million.

Acquisition of a Wind Energy Generation Facility in Wisconsin

In October 2017, WPS, along with two other unaffiliated utilities, entered into an agreement to purchase Forward Wind Energy Center, which consists of 86 wind turbines located in Wisconsin with a total capacity of 138 MW. The FERC approved the transaction in January 2018, and the PSCW approved the transaction in March 2018. The transaction closed in April 2018. See Note 2, Acquisitions, for more information.

The Peoples Gas Light and Coke Company and North Shore Gas Company

North Shore Gas Company 2021 Rate Case

On October 15, 2020, NSG filed a request with the ICC to increase its natural gas rates. NSG's request is targeting a rate increase of \$7.6 million (8.5%) and reflects a 10.0% ROE and a common equity component average of 52.5%. The proposed natural gas rate increase is primarily driven by NSG's ongoing significant investment in its distribution system since its last rate review that resulted in revised base rates effective January 1, 2015. New rates are expected to be effective in September 2021.

Illinois Proceedings

In December 2015, the ICC ordered a series of stakeholder workshops to evaluate PGL's SMP, which were completed in March 2016. In July 2016, the ICC initiated a proceeding to review, among other things, the planning, reporting, and monitoring of the program, including the target end date for the program, and issued a final order in January 2018. The order did not have a significant impact on PGL's existing SMP design and execution. An appeal related to the final order was filed by the Illinois AG in April 2018. In June 2019, the Illinois Appellate Court issued its ruling affirming the ICC's final order. The appeal period has since expired for this ruling.

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 PGL, which is in effect through 2023.

PGL's QIP rider is subject to an annual reconciliation whereby costs are reviewed for accuracy and prudence. In March 2020, PGL filed its 2019 reconciliation with the ICC, which, along with the 2018, 2017 and 2016 reconciliations, are still pending. In July 2019, the ICC approved a settlement of the 2015 reconciliation, which included a rate base reduction of \$7.0 million and a \$7.3 million refund to ratepayers. In February 2018, PGL agreed to a settlement of the 2014 reconciliation, which included a rate base reduction of \$5.4 million and a \$4.7 million refund to ratepayers.

As of December 31, 2020, there can be no assurance that all costs incurred under PGL's QIP rider during the open reconciliation years will be deemed recoverable by the ICC.

Variable Income Tax Adjustment Rider

In April 2018, the ICC approved the VITA proposed by PGL and NSG. The VITA recovers or refunds changes in income tax expense resulting from differences in income tax rates and amortization of deferred tax excesses and deficiencies (in accordance with the Tax Legislation) from the amounts used in the last PGL and NSG rate case, effective January 25, 2018.

Minnesota Energy Resources Corporation

2018 Minnesota Rate Order

In October 2017, MERC initiated a rate proceeding with the MPUC. In December 2018, the MPUC issued a final written order for MERC. The order authorized a retail natural gas rate increase of \$3.1 million (1.26%). The rates reflect a 9.7% ROE and a common equity component average of 50.9%. The final rates were implemented on July 1, 2019. The final approved rate increase was lower than the interim rates collected from customers during 2018 and through June 30, 2019. Therefore, MERC refunded \$8.2 million to its customers during the second half of 2019.

The final order addressed the various impacts of the Tax Legislation, including the remeasurement of deferred tax balances. All of the impacts from the Tax Legislation have been included in base rates. The order also approved MERC's continued use of its decoupling mechanism for residential customers. Effective January 1, 2019, MERC's small commercial and industrial customers are no longer included in the decoupling mechanism.

Michigan Gas Utilities Corporation

2021 Rate Application

In February 2020, MGU provided notification to the MPSC of its intent to file an application requesting an increase to MGU's natural gas rates to be effective January 1, 2021. However, MGU decided that it would not file a rate case during the COVID-19 pandemic and would re-evaluate the timing of the rate filing at a later date.

In May 2020, MGU filed an application with the MPSC requesting approval to defer \$5.0 million of depreciation and interest expense during 2021 related to capital investments made by MGU since its last rate case. In July 2020, the MPSC issued a written order approving MGU's request. The deferral of these costs will help to mitigate the impacts from delaying the filing of the rate case.

NOTE 27—OTHER INCOME, NET

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

<i>(in millions)</i>	2020	2019	2018
Non-service components of net periodic benefit costs	\$ 41.2	\$ 36.2	\$ 26.0
AFUDC – Equity	20.9	14.4	15.2
Gains (losses) from investments held in rabbi trust	12.7	21.2	(1.8)
Other, net	4.7	30.4	30.9
Other income, net	\$ 79.5	\$ 102.2	\$ 70.3

NOTE 28—QUARTERLY FINANCIAL INFORMATION (Unaudited)

<i>(in millions, except per share amounts)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2020					
Operating revenues	\$ 2,108.6	\$ 1,548.7	\$ 1,651.0	\$ 1,933.4	\$ 7,241.7
Operating income	626.6	338.8	370.2	370.5	1,706.1
Net income attributed to common shareholders	452.5	241.6	266.8	239.0	1,199.9
Earnings per share ⁽¹⁾					
Basic	\$ 1.43	\$ 0.77	\$ 0.85	\$ 0.76	\$ 3.80
Diluted	1.43	0.76	0.84	0.76	3.79
2019					
Operating revenues	\$ 2,377.4	\$ 1,590.2	\$ 1,608.0	\$ 1,947.5	\$ 7,523.1
Operating income	542.8	314.6	310.9	363.1	1,531.4
Net income attributed to common shareholders	420.1	235.7	234.3	243.9	1,134.0
Earnings per share ⁽¹⁾					
Basic	\$ 1.33	\$ 0.75	\$ 0.74	\$ 0.77	\$ 3.60
Diluted	1.33	0.74	0.74	0.77	3.58

⁽¹⁾ Earnings per share for the individual quarters may not total the year ended earnings per share amount because of changes to the average number of shares outstanding and changes in incremental issuable shares throughout the year.

NOTE 29—NEW ACCOUNTING PRONOUNCEMENTS

Cloud Computing

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The standard allows entities who are customers in hosting arrangements that are service contracts to apply the existing internal-use software guidance to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The guidance specifies classification for capitalizing implementation costs and related amortization expense within the financial statements and requires additional disclosures. The adoption of ASU 2018-15, effective January 1, 2020, did not have a significant impact on our financial statements and related disclosures.

Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, Disclosure Framework: Changes to the Disclosure Requirements for Defined Benefit Plans. The pronouncement modifies the disclosure requirements for defined benefit pension and OPEB plans. The guidance removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. The modifications affect annual period disclosures and must be applied on a retrospective basis to all periods presented. We adopted the disclosure provisions of ASU 2018-14, effective December 31, 2020. These disclosure modifications are included in Note 20, Employee Benefits.

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes. The new standard removes certain exceptions for performing intraperiod allocation and calculating income taxes in interim periods and also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The guidance was effective for annual and interim periods beginning after December 15, 2020. The adoption of ASU 2019-12, effective January 1, 2021, did not have a significant impact on our financial statements and related disclosures.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022. We are currently evaluating the impact this guidance may have on our financial statements and related disclosures.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of WEC Energy Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of WEC Energy Group, Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities - Impact of rate regulation on financial statements — Refer to Notes 6 and 26 to the financial statements

Critical Audit Matter Description

The Company's regulated utilities are subject to regulation by various state and federal regulatory bodies (collectively the "Commissions") which have jurisdiction with respect to the rates of electric and gas distribution companies in each respective state. Management has determined the Company meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the Regulated Operations Topic of the Financial

Accounting Standards Board's Accounting Standard Codification.

Rates are determined and approved in regulatory proceedings based on an analysis of the Company's costs to provide utility service and a return on, and recovery of, the Company's investment in the utility business. Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered by rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. 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 Company's regulators. Future decisions of the Commissions will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates, and any refunds that may be required.

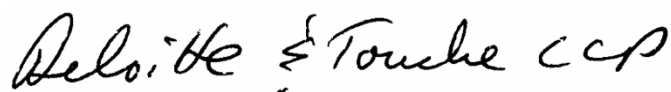
While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve: (1) full recovery of the costs of providing utility service, (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment or (3) timely recovery of costs incurred. The Company had \$3,544 million and \$3,979 million of regulatory assets and liabilities, respectively, as of December 31, 2020.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Given that management's accounting judgments can be based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following procedures, among others:

- We tested the effectiveness of management's controls over regulatory assets and liabilities, including management's controls over the identification of costs recorded as regulatory assets and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We inquired of Company management and independently obtained and read: (1) relevant regulatory orders issued by the Commissions for the Company and other public utilities in each respective state, (2) company filings, (3) filings made by intervenors and (4) other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. To assess completeness, we evaluated the information obtained and compared it to management's recorded regulatory asset and liability balances.
- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We obtained management's analysis regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.



February 25, 2021

We have served as the Company's auditor since 2002.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of WEC Energy Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of WEC Energy Group, Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 25, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

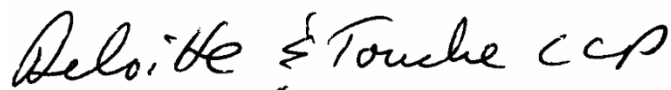
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



February 25, 2021

INTERNAL CONTROL OVER FINANCIAL REPORTING

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our and our subsidiaries' internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation, our management concluded that our and our subsidiaries' internal control over financial reporting was effective as of December 31, 2020.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

For Deloitte & Touche LLP's Report of Independent Registered Public Accounting Firm, attesting to the effectiveness of our internal controls over financial reporting, see Page F-109.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fourth quarter of 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

WEC ENERGY GROUP, INC. COMPARATIVE SELECTED FINANCIAL DATA AND OTHER STATISTICS

As of or for Year Ended December 31 (in millions, except per share information)	2020	2019	2018	2017 ⁽¹⁾	2016
Operating revenues	\$ 7,241.7	\$ 7,523.1	\$ 7,679.5	\$ 7,648.5	\$ 7,472.3
Net income attributed to common shareholders	1,199.9	1,134.0	1,059.3	1,203.7	939.0
Total assets	37,028.1	34,951.8	33,475.8	31,590.5	30,123.2
Preferred stock of subsidiary	30.4	30.4	30.4	30.4	30.4
Long-term debt (excluding current portion)	11,728.1	11,211.0	9,994.0	8,746.6	9,158.2
Weighted average common shares outstanding					
Basic	315.4	315.4	315.5	315.6	315.6
Diluted	316.5	316.7	316.9	317.2	316.9
Earnings per share					
Basic	\$ 3.80	\$ 3.60	\$ 3.36	\$ 3.81	\$ 2.98
Diluted	\$ 3.79	\$ 3.58	\$ 3.34	\$ 3.79	\$ 2.96
Dividends per share of common stock	\$ 2.53	\$ 2.36	\$ 2.21	\$ 2.08	\$ 1.98

⁽¹⁾ Includes a \$206.7 million increase in net income attributed to common shareholders related to a re-measurement of our deferred taxes as a result of the Tax Legislation.

PERFORMANCE GRAPH

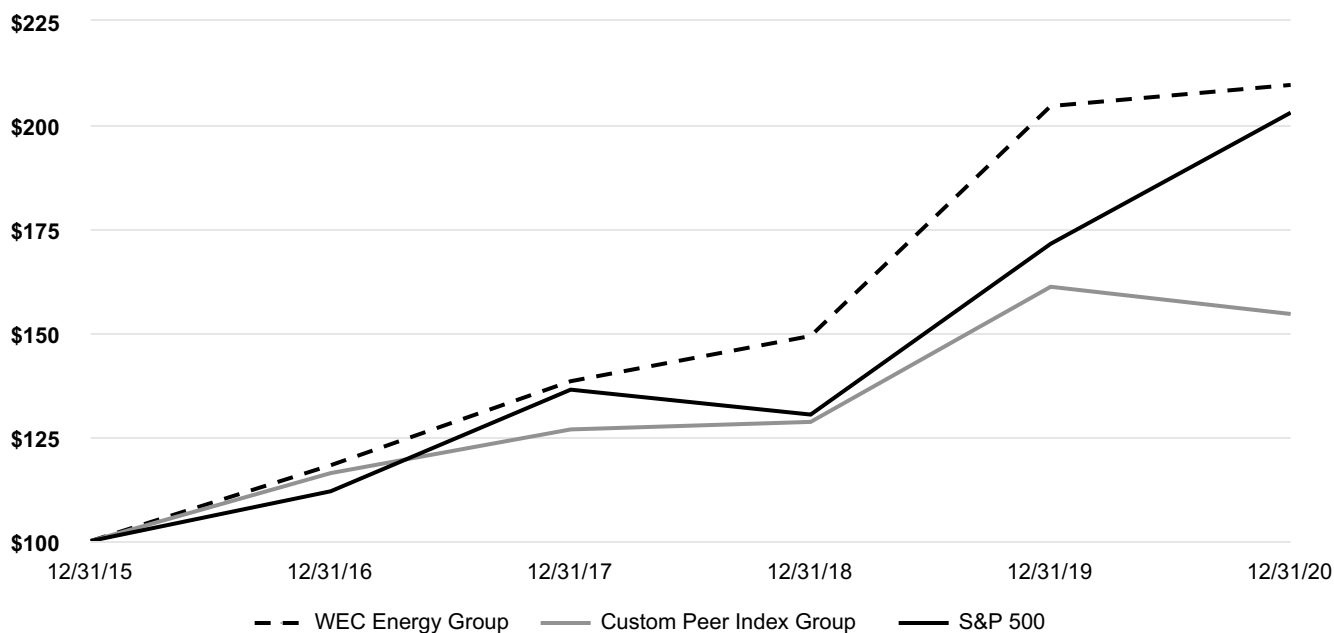
The performance graph below shows a comparison of the cumulative total return, assuming reinvestment of dividends, over the last five years had \$100 been invested at the close of business on December 31, 2015, in each of:

- WEC Energy Group common stock;
- a Custom Peer Index Group; and
- the Standard & Poor's 500 Index ("S&P 500").

Custom Peer Index Group. We use the Custom Peer Index Group for peer comparison purposes because we believe the Index provides an accurate representation of our peers. The Custom Peer Index Group is a market capitalization-weighted index of companies, including WEC Energy Group, that are similar to us in terms of size and business model.

In addition to WEC Energy Group, the companies in the Custom Peer Index Group are: Alliant Energy Corporation; Ameren Corporation; American Electric Power Company, Inc.; CMS Energy Corporation; Consolidated Edison, Inc.; DTE Energy Company; Duke Energy Corp.; Edison International; Evergy, Inc.; Eversource Energy; FirstEnergy Corp.; NiSource Inc.; OGE Energy Corp.; PG&E Corporation; Pinnacle West Capital Corporation; The Southern Company; and Xcel Energy Inc.

Five-Year Cumulative Return



Value of Investment at Year-End

	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20
WEC Energy Group, Inc.	\$100	\$118.21	\$138.41	\$149.28	\$204.55	\$209.63
Custom Peer Index Group	\$100	\$116.32	\$126.82	\$128.63	\$161.11	\$154.57
S&P 500	\$100	\$111.95	\$136.38	\$130.39	\$171.44	\$202.96

MARKET FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

NUMBER OF COMMON SHAREHOLDERS

As of January 31, 2021, based upon the number of WEC Energy Group shareholder accounts (including accounts in our stock purchase and dividend reinvestment plan), we had approximately 42,000 registered shareholders.

COMMON STOCK LISTING AND TRADING

Our common stock is listed on the New York Stock Exchange under the ticker symbol "WEC."

COMMON STOCK DIVIDENDS OF WEC ENERGY GROUP

We review our dividend policy on a regular basis. Subject to any regulatory restrictions or other limitations on the payment of dividends, future dividends will be at the discretion of the Board of Directors and will depend upon, among other factors, earnings, financial condition, and other requirements. For more information on our dividends, including restrictions on the ability of our subsidiaries to pay us dividends, see Note 11, Common Equity.

BOARD OF DIRECTORS



Patricia W. Chadwick

Director since 2006.
President of Ravengate Partners, LLC, which provides businesses and not-for-profit institutions with advice about the financial markets, business management, and global economics.



Maria C. Green

Director since 2019.
Retired Senior Vice President and General Counsel of Ingersoll Rand Inc., a diversified industrial manufacturer serving customers in global commercial, industrial and residential markets.



Curt S. Culver

Director since 2004.
Non-Executive Chairman of the Board of MGIC Investment Corporation and Mortgage Guaranty Insurance Corporation, a private mortgage insurance company. MGIC is the parent company of Mortgage Guaranty Insurance Corporation.



Gale E. Klappa

Director since 2003.
Executive Chairman of the Board of WEC Energy Group, Inc.



Danny L. Cunningham

Director since 2018.
Retired Partner and Chief Risk Officer of Deloitte & Touche LLP, an industry-leading audit, consulting, tax, and advisory firm.



Henry W. Kneuppel

Director since 2013.
Retired Chairman and Chief Executive Officer of Regal Beloit Corporation, a leading manufacturer of electric motors, mechanical and electrical motion controls, and power generation products.



William M. Farrow III

Director since 2018.
Chairman and Chief Executive Officer of Winston and Wolfe LLC, a privately held technology development and advisory company.



Thomas K. Lane

Director since 2020.
Vice Chairman of Energy Capital Partners LLC, a private equity firm that focuses on investing in power generation, midstream gas, electric transmission and energy and environmental services sectors of North America's energy infrastructure.



Thomas J. Fischer

Director since 2005.
Principal of Fischer Financial Consulting LLC, which provides consulting on corporate financial, accounting, and governance matters.



Ulice Payne, Jr.

Director since 2003.
Managing Member of Addison-Clifton, LLC, which provides global trade compliance advisory services.



J. Kevin Fletcher

Director since 2019.
President and Chief Executive Officer of WEC Energy Group, Inc.



Mary Ellen Stanek

Director since 2012.
Managing Director and Director of Asset Management of Baird Financial Group; Chief Investment Officer, Baird Advisors; President, Baird Funds, Inc. Baird Financial Group provides wealth management, capital markets, private equity, and asset management services to clients worldwide.



Cristina A. Garcia-Thomas

Director since 2021.
Chief External Affairs Officer of Advocate Aurora Health, Inc., a not-for-profit health care system operating in Wisconsin and Illinois.

OFFICERS

The names and positions as of January 31, 2021, of WEC Energy Group's officers are listed below.

Gale E. Klappa* – Executive Chairman of the Board.

J. Kevin Fletcher* – President and Chief Executive Officer.

Scott J. Lauber* – Senior Executive Vice President and Chief Operating Officer.

Robert M. Garvin* – Executive Vice President–External Affairs.

Margaret C. Kelsey* – Executive Vice President, General Counsel and Corporate Secretary.

Xia Liu* – Executive Vice President and Chief Financial Officer.

Daniel P. Krueger* – Executive Vice President–WEC Infrastructure.

M. Beth Straka* – Senior Vice President-Corporate Communications and Investor Relations.

Darnell K. DeMasters – Vice President-Federal Government Affairs.

William J. Guc* – Vice President and Controller.

Anthony L. Reese* – Vice President and Treasurer.

James A. Schubilske – Vice President and Chief Audit Officer.

David L. Hughes – Assistant Treasurer.

* Executive Officer of WEC Energy Group as of January 31, 2021.

The following individuals were also executive officers of WEC Energy Group as of January 31, 2021:

- Charles R. Matthews – President of Peoples Energy, LLC, and President and Chief Executive Officer of The Peoples Gas Light and Coke Company and North Shore Gas Company.
- Tom Metcalfe – President of Wisconsin Electric Power Company, Wisconsin Gas LLC and Wisconsin Public Service Corporation.

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NOTICE OF 2021 ANNUAL MEETING AND PROXY STATEMENT

An Energy Industry Leader

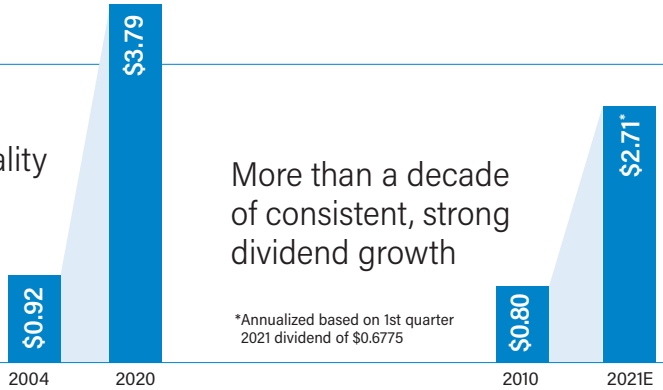
WEC Energy Group is one of the nation's leading energy companies, with the operational expertise, and financial resources to meet the needs of 4.6 million customers across the Midwest.

\$29 billion
market cap

\$37 billion
of assets

As of 12/31/2020

Long history of quality earnings growth averaging **9%+** annually



More than a decade of consistent, strong dividend growth

*Annualized based on 1st quarter 2021 dividend of \$0.6775

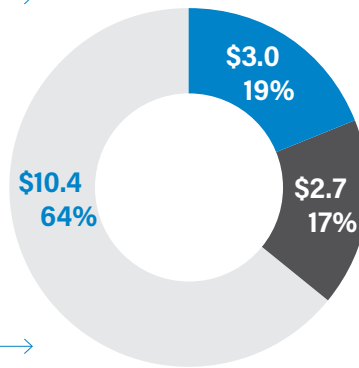
Investing

\$16.1 billion

between 2021-2025

Sustainability

\$4.1 Renewables
\$6.3 Grid and fleet reliability



Growth

\$1.6 Gas distribution
\$1.4 Electric (G,T&D)

Efficiency

\$1.0 Technology
\$1.7 Grid and fleet modernization

REDUCTION GOALS

Aggressively reducing greenhouse gas emissions

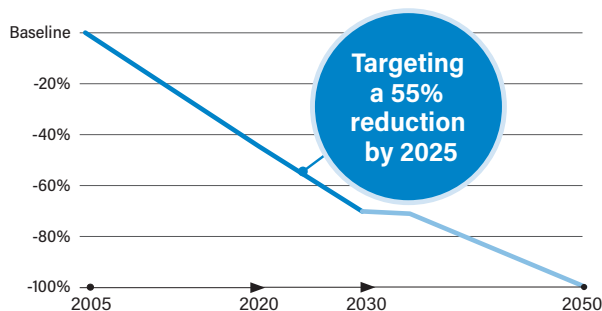
Our capital investment plan aligns with and fully supports our carbon reduction goals

70% below
2005 levels by 2030

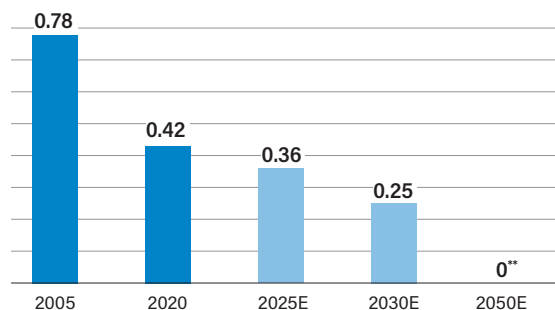
Net carbon neutral by 2050

Goals aligned with Paris Climate Accord

Achieved and anticipated CO₂ reductions (net mass)*



Greenhouse gas intensity* (metric tons CO₂e/MWh)



*Includes projection of potential carbon offsets by 2050

**Includes owned electric generation, purchased power and WEC Infrastructure

Dear Fellow Stockholders

On behalf of our Board of Directors, I invite you to attend WEC Energy Group's Annual Meeting of Stockholders. We look forward to hosting this year's meeting in virtual format.

There's no doubt that 2020 was a year of testing with significant challenges caused by the pandemic. However, I'm pleased to report that our Board and management team maintained a clear focus on the fundamentals of our business - delivering a record year on virtually every meaningful measure.

Here are some highlights that demonstrate our commitment to grow long-term shareholder value, aggressively pursue a clean energy future, support our employees and communities, and deliver safe, reliable energy to our customers.

Financial Results

- Achieved record net income from operations and record earnings per share.
- Returned more cash to shareholders than in any other year in company history.

Environmental Stewardship

- Began commercial operation of Wisconsin's first large-scale solar farm.
- Set aggressive goals to reduce CO₂ emissions from our power generation fleet with specific actions in our five-year capital plan.

Commitment to Diversity, Equity and Inclusion

- Achieved record spending with diverse suppliers.
- Increased diversity among our leadership team and refined our plans to ensure all talent development and engagement efforts align with our diversity, equity and inclusion goals.
- Provided significant charitable grants to local non-profit agencies and COVID-relief organizations.
- Continued to expand the diversity of our board.

Responsible Governance

- Appointed 5 new independent directors since 2018 – reducing the average tenure to 7.2 years.
- Continued our track record of strong linkage between pay and performance, with challenging financial and ESG metrics in our incentive compensation program.

I ask for your support of the four proposals requiring a vote at this year's Annual Meeting. And, as always, we welcome your continued engagement. Thank you for your confidence in WEC Energy Group.



Gale E. Klappa
Executive Chairman

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Notice of 2021 Annual Meeting of Stockholders

When

Thursday, May 6, 2021 at 1:30 p.m. Central time

Virtual meeting location

WEC Energy Group will hold a virtual-only annual stockholders' meeting, conducted via live webcast at www.meetingcenter.io/210167229. Access to the meeting begins at 1:15 p.m., Central time.

Items to be voted

1. Election of 10 directors for terms expiring in 2022.
2. Ratification of Deloitte & Touche LLP as independent auditors in 2021.
3. Approval of the amendment and restatement of the Omnibus Stock Incentive Plan.
4. Advisory vote to approve compensation of the named executive officers.

In addition, we will consider and act upon any other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

How to attend the 2021 Annual Meeting

Due to the COVID-19 pandemic, this year's Annual Meeting will take place entirely online. To attend the Annual Meeting, vote, ask questions, and examine our list of stockholders, you will need to visit our meeting site, located at www.meetingcenter.io/210167229, and enter the meeting password WEC2021 and your control number.

Registered Stockholders. If your shares are registered in your name, your 15-digit control number was included on your Notice of Internet Availability of Proxy Materials, your proxy card or on the instructions that accompanied your proxy materials.

Beneficial Owners. If you own shares in "street name" (that is, through a broker, bank or other nominee), you must register in advance to obtain a control number. For more information, see Annual Meeting Attendance and Voting Information, which begins on page P-74.

Your vote is very important to us. We urge you to review the proxy statement carefully and exercise your right to vote. Even if you plan to attend the Annual Meeting, please vote your shares as soon as possible using one of the voting methods noted above. If you vote in advance, you are still entitled to vote at the Annual Meeting, which would have the effect of revoking any prior votes.



Margaret C. Kelsey

Executive Vice President, General Counsel and Corporate Secretary
March 25, 2021

Voting methods



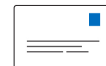
By internet

You can vote your shares online at www.envisionreports.com/WEC or by scanning the QR code.



By telephone

In the U.S. or Canada you can vote your shares toll-free by calling 1-800-652-8683.



By mail

You can vote your shares by marking, dating and signing your proxy card or voting instruction form and returning it in the postage paid envelope.



By virtual presence online

You can vote your shares during the meeting. See page P-74.

Record Date

Stockholders of record as of close of business on February 25, 2021 ("Record Date"), will be entitled to vote. Each share of common stock is entitled to one vote for each director position and one vote for each of the other proposals.

On or about March 25, 2021, the Proxy Statement and 2020 Annual Report are being mailed or made available online to stockholders.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 6, 2021: The Proxy Statement and 2020 Annual Report are available at www.envisionreports.com/WEC.

Proxy Summary

This summary highlights selected information related to items to be voted on at the annual meeting of stockholders. This summary does not contain all of the information that you should consider when deciding how to vote. Please read the entire proxy statement before voting. Additional information regarding WEC Energy Group, Inc.'s (the "Company" or "WEC Energy Group") 2020 performance can be found in our Annual Report on Form 10-K for the year ended December 31, 2020.

The 2021 Annual Meeting of Stockholders will be a virtual-only meeting via live webcast. There will not be a physical meeting location. Stockholders are encouraged to participate online by logging into www.meetingcenter.io/210167229 where you will be able to listen to the meeting live, submit questions and vote your shares. Please see page P-74 for more information.

Voting Matters and Recommendations

The following proposals are scheduled to be presented at our upcoming 2021 Annual Meeting of Stockholders:

Management Proposals	Item to be Voted on	Board's recommendation	Page
Proposal 1	Election of 10 Directors, each for a 1-year term expiring in 2022	FOR each nominee	P-12
Proposal 2	Ratification of Deloitte & Touche LLP as independent auditors for 2021	FOR	P-34
Proposal 3	Approval of the amendment and restatement of the Company's Omnibus Stock Incentive Plan	FOR	P-37
Proposal 4	Advisory vote to approve executive compensation of the named executive officers	FOR	P-43

Our 2020 Performance Highlights

Throughout 2020, amidst the many unexpected challenges of the COVID-19 pandemic, the Company remained steadfast in executing its fundamentals – safety, reliability, customer satisfaction, financial discipline and environmental stewardship – and ended the year having achieved solid financial and operational results while delivering continued long-term value for stockholders and customers and setting new, aggressive clean energy goals.

Business Highlights

- Continued progress on Board refreshment - Board composition includes slate of nominees that is 50% diverse based on gender and/or race/ethnicity.
- Set aggressive new goals to reduce carbon dioxide emissions from electricity generation, including to be net carbon neutral by 2050.
- Began commercial operation of Wisconsin's first large-scale solar farm.
- Spent a record \$303 million with certified minority-, women-, veteran- or service disabled-owned businesses – the highest spending with diverse suppliers in Company history.
- Initiated an assessment to identify the priority sustainability issues most important to our Company and its stakeholders, which provided a framework that is shaping the development of our sustainability programs and enhancing our disclosures.
- Achieved record customer satisfaction scores:
 - WEC Energy Group ranked #1 in the 2020 ESource Large Business Customer Satisfaction Study
 - We Energies named 'Most Reliable Utility' in the Midwest for 10th consecutive year
 - Peoples Gas named 'Most Trusted Utility Brand' in nationwide survey of 70,000 utility customers
 - Wisconsin Public Service named 'Customer Champion' in nationwide survey of residential customers

Financial Highlights

\$1.20 billion
record operating net income

\$3.79 record earnings per
share, on a diluted basis

\$798 million
cash returned to stockholders

7.2% dividend growth

17 consecutive years
raising the dividend and
exceeding earnings guidance

78 consecutive years
of delivering quarterly
dividends (1942 – 2020)

Company Response to the COVID-19 Pandemic

- Adopted safety measures and operational protocols to minimize exposure of customers and employees to COVID-19, including transitioning 80% of our workforce to remote work.
- Temporarily suspended customer late payment charges and energy disconnections, unless unsafe conditions existed.
- Launched a COVID-19 relief plan resulting in our companies and foundations donating more than \$2 million in grants and matching gifts to healthcare organizations, human service agencies and first responders.

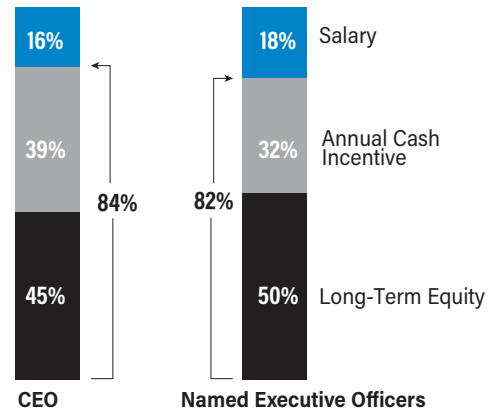
How our Compensation Program Supports our Business Strategy

An important aspect of the Board's oversight responsibilities is to hold the executive management team accountable to achieving the Company's goals and objectives. This includes oversight of executive compensation.

For more than 15 years, our executive compensation program has included metrics that link a sizeable portion of executive pay to achieving operational and financial performance targets that (1) are tied to certain key financial measures, (2) reflect our focus on sustainable decision-making, taking into consideration employee safety, customer satisfaction, and supplier and workforce diversity, and (3) incentivize an appropriate balance between long-term strategies and short-term priorities.

Short-Term Incentive Measures	
Financial	Operational
<ul style="list-style-type: none"> Earnings per share Cash flow Utility net income 	<ul style="list-style-type: none"> Safety Customer satisfaction Workforce diversity Supplier diversity
Long-Term Incentive Measures	
<ul style="list-style-type: none"> Total Stockholder Return Authorized Return on Equity (ROE) Stock Price Performance 	

At Risk Compensation

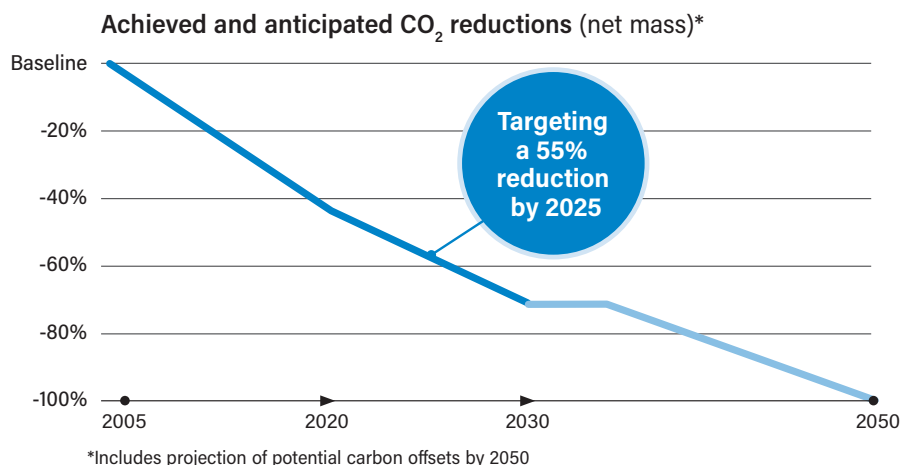


Delivering a cleaner energy future is one of the fundamentals of our business and a major focus of our capital plan. Rather than attempting to create unique metrics associated with long-term climate goals, the Compensation Committee assesses management's performance against environmental goals through the execution of its capital plan. Management annually refreshes the capital plan, discusses it with the Board, then discloses it publicly during the fourth quarter.

The Company's ability to fund its substantial capital plan without issuing additional equity has been directly linked with the Company's ability to consistently deliver on its financial plan, including meeting the financial metrics used in the Company's compensation program. By tying payments under the short-term performance plan to metrics that are key to executing our capital plan, we are able link executive compensation to the objectives in the capital plan.

Our Efficiency, Sustainability and Growth Progress Plan

In November 2020, the Company announced its 2021 – 2025 capital plan, referred to as our ESG Progress Plan, which details significant investments in low- and no-carbon generation and modernization of the Company's electric and natural gas infrastructure aimed at helping to reduce the emission of greenhouse gases (carbon and methane). These investments are the building blocks for the Company's carbon dioxide emission reduction goals from our electric generation – 55% below 2005 levels by 2025; 70% below 2005 levels by 2030; and net carbon neutral by 2050. The Company also has a goal to decrease the rate of methane emissions from its natural gas distribution lines in its network by 30% per mile by the year 2030 from a 2011 baseline.



Reduction goals:











70% below
2005 levels by 2030

**Net carbon
neutral** by 2050

Goals aligned with Paris Climate Accord

The Director Nominees at a Glance

The following table provides an overview of the director nominees. Other than Cristina Garcia-Thomas, who was elected by the Board and began her service on January 1, 2021, all of the director nominees were elected at the 2020 Annual Meeting of Stockholders. Additional information regarding our director nominees begins on P-17.

Name	Age	Director Since	Primary Occupation	Independent	Committee Membership				
					AOC	CC	CG	FC	EC
 Curt S. Culver	68	2004	Non-Executive Chairman, MGIC Investment Corporation	•			•	•	•
 Danny L. Cunningham	65	2018	Retired Partner and Chief Risk Officer, Deloitte & Touche LLP	•	• F				•
 William M. Farrow III Independent Lead Director	65	2018	Chairman and CEO, Winston and Wolfe LLC	•		•	•		•
 J. Kevin Fletcher	62	2019	President and CEO, WEC Energy Group, Inc.						
 Cristina A. Garcia-Thomas	51	2021	Chief External Affairs Officer, Advocate Aurora Health, Inc.	•			•		
 Maria C. Green	68	2019	Retired Senior Vice President and General Counsel, Ingersoll Rand, Inc.	•	•		•		
 Gale E. Klappa Executive Chairman of the Board	70	2003	Executive Chairman of the Board, WEC Energy Group, Inc.						•
 Thomas K. Lane	64	2020	Vice Chairman, Energy Capital Partners, LLC	•				•	
 Ulice Payne, Jr.	65	2003	Managing-Member, Addison Clifton, LLC	•		•		•	•
 Mary Ellen Stanek	64	2012	Managing Director & Director of Asset Management, Baird Financial Group	•				•	

AOC Audit and Oversight Committee
 CC Compensation Committee
 CG Corporate Governance Committee

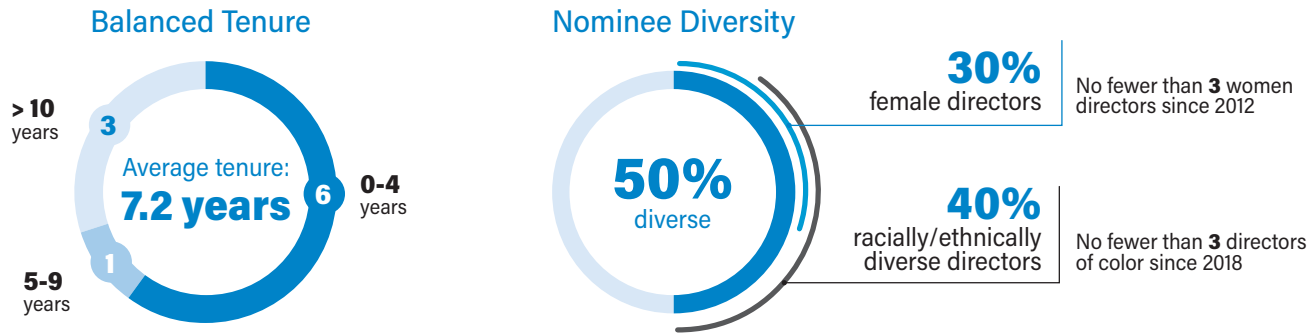
FC Finance Committee
 EC Executive Committee

• Member
 • Committee Chair
 F Financial Expert

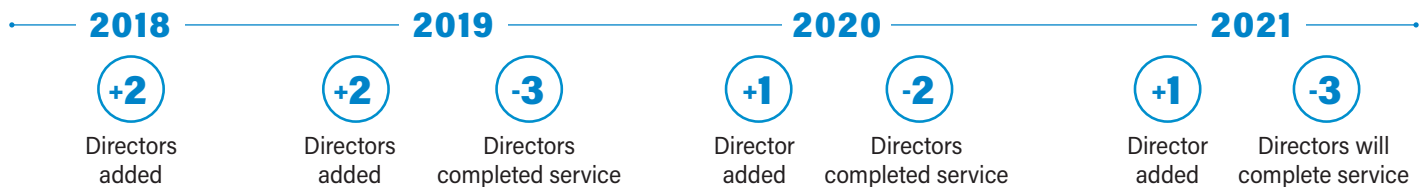
Directors Patricia W. Chadwick, Thomas J. Fischer and Henry W. Knueppel will complete their service as directors in 2021, and are not serving as nominees for election at the 2021 Annual Meeting of Stockholders. We sincerely thank them for their many important contributions, leadership and years of dedicated service. The Board plans to approve committee rotations of its independent directors, to be effective immediately following the 2021 Annual Meeting of Stockholders, which will include adding at least one independent director to the Audit and Oversight Committee.

Snapshot of the 2021 Director Nominees

(based upon 10 members)



Ongoing Board Refreshment



Core Competencies — Knowledge Level*

● Advanced ● Intermediate ○ Limited



* As reported by individual directors; see page P-13 for more information.

Governance Highlights

Accountability to our stockholders is critical to our long-term success. We routinely evaluate and enhance our governance practices to maintain alignment with evolving best practices. Highlights of our governance framework include the following:

Board Practices	Independent Oversight	Stockholder Rights
<ul style="list-style-type: none"> Ongoing Board refreshment Annual Board and committee evaluations Strategy and risk oversight discussion at every regular Board meeting Ongoing education programs by internal and third-party experts Stock ownership requirements for directors and executives Director service on public boards limited to 4 companies CEOs of public companies limited to director service at 2 public companies total 	<ul style="list-style-type: none"> 8 of 10 director nominees are independent Independent Lead Director with specified duties Independent Audit, Compensation, Finance and Governance Committees Regular executive sessions of non-employee directors 	<ul style="list-style-type: none"> Annual election of directors with majority voting standard for uncontested elections One-share, one-vote standard Proxy access provision in bylaws Annual "say-on-pay" advisory vote Special meeting provision

PROPOSAL 1: ELECTION OF DIRECTORS – TERMS EXPIRING IN 2022

What am I voting on?

Stockholders are being asked to elect 10 director nominees for a one-year term.

Voting Recommendation:

✓ **FOR the election of each Director Nominee.**

The Board of Directors and Corporate Governance Committee believe the 10 director nominees possess the experience and qualifications necessary to provide effective oversight of the Company and the long-term interests of its stockholders.

WEC Energy Group's bylaws require each director to be elected annually to hold office for a one-year term. Acting on the recommendation of the Corporate Governance Committee, the Board is recommending the following 10 nominees for election as directors at our annual meeting. Each nominee, if elected, will serve until the 2022 Annual Meeting of Stockholders, or until a successor is duly elected and qualified.

1. Curt S. Culver

2. Danny L. Cunningham

3. William M. Farrow III

4. J. Kevin Fletcher

5. Cristina A. Garcia-Thomas

6. Maria C. Green

7. Gale E. Klappa

8. Thomas K. Lane

9. Ulice Payne, Jr.

10. Mary Ellen Stanek

- All director nominees currently serve as directors on our Board. Other than Director Garcia-Thomas, who was appointed to our Board in January 2021, all nominees were elected by our stockholders at our 2020 Annual Meeting of Stockholders, each having received at least 94.26% of the votes cast.
- All director nominees are independent with the exception of Directors Klappa and Fletcher, who are employees of the Company. Each nominee has consented to being nominated and to serve if elected. In the unlikely event that any nominee becomes unable to serve for any reason, the proxies will be voted for a substitute nominee selected by the Board upon the recommendation of the Corporate Governance Committee.
- This is an uncontested election; therefore, our majority vote standard for election of directors will apply. Under this standard, the director nominees will be elected only if the number of votes cast favoring such nominee's election exceeds the number of votes cast opposing that nominee's election, as long as a quorum is present. Therefore, presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect on the election of directors. Proxies may not be voted for more than 10 persons in the election of directors.
- Directors Patricia W. Chadwick, Thomas J. Fischer and Henry W. Knueppel have reached retirement age and will complete their service as directors at the 2021 Annual Meeting of Stockholders. We sincerely thank them for their many important contributions, leadership and years of dedicated service.

The process through which the Board arrived at these director nominees is the result of the Board's regular assessment of its composition and its focused attention to ongoing succession planning, as described in the following pages.

BOARD COMPOSITION

The Corporate Governance Committee and the Board evaluate director nominees in light of the Board's current members, with the goal of recommending nominees with diverse backgrounds and experiences who, together with the current directors, can best perpetuate the success of WEC Energy Group's business and represent stockholder interests. Director nominees are evaluated on the basis of certain key attributes, core competencies, diversity, age/tenure, existing time commitments and independence. By following this process, the Board is able to ensure that its director candidates bring a broad range of perspectives and experiences, will effectively contribute to the Board, and will complement the other directors.

The Corporate Governance Committee and the Board determined that the director nominees' complementary breadth of characteristics are suited to executing the duties of the Board and, when taken together, embody the personal qualities, qualifications, skills, and diversity of background that best serve our Company and its stockholders.

2021 BOARD OF DIRECTORS — 10 NOMINEES

Gender diversity	Racial/Ethnic diversity	Average age	Average tenure	Independence
30%	40%	64 years	7.2 years	80%

Key Attributes Required of All Directors

The Corporate Governance Committee routinely evaluates the expertise and needs of the Board to determine its proper membership and size. The Board believes that all directors must demonstrate certain key attributes, as noted below.

<ul style="list-style-type: none"> • Proven integrity • Ability to appraise problems objectively • Relevant technological, political, economic, or social/cultural experience • Familiarity with national and international issues affecting the Company's business • Vision and imagination 	<ul style="list-style-type: none"> • Mature and independent judgment • Ability to evaluate strategic options and risks • Social consciousness • Contribution to the Board's desired collective diversity 	<ul style="list-style-type: none"> • Willingness to dedicate sufficient time to board service • Sound business experience/acumen • Achievement of prominence in career • Availability to serve for five years before reaching the directors' retirement age of 72 (in the case of new directors)
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Core Competencies

The Board regularly evaluates Director qualifications and core competencies in the context of the Board's oversight of strategic initiatives, financial and operational performance objectives, and material risks. To that end, the Board seeks directors whose collective knowledge, experience and skills provide a broad range of perspectives and leadership expertise in domains particularly relevant to our business including: highly complex and regulated industries, strategic planning, financial strategy, technology and security, audit oversight and financial controls, human capital management, corporate governance, environmental and social sustainability, public policy, and other areas important to executing the Company's strategy.

With that in mind, the Corporate Governance Committee and Board have determined that the Board's composition should consist of candidates that collectively possess a specific set of core competencies, as listed below, in order to effectively carry out its oversight function.

<ul style="list-style-type: none"> • Audit/Financial Planning • CEO/Senior Leadership • Corporate Governance • Environmental/Corporate Social Responsibility (CSR) Issues 	<ul style="list-style-type: none"> • Financial Strategy/Investment • Government/Public Policy • Human Capital Management/Exec Comp • Knowledge of Company's Industry 	<ul style="list-style-type: none"> • Regulated Industry Knowledge • Risk Management • Strategic Planning • Technology and Security
---	--	--

During the fourth quarter of 2020, the Corporate Governance Committee and Board evaluated and affirmed this set of competencies. Each director then performed a self-assessment of his/her level of knowledge in each skill area using the following 3-point scale: "1" Limited knowledge (e.g., no direct experience, primary exposure comes from Board or Committee reports); "2" Intermediate knowledge (e.g., general managerial/oversight experience or broad exposure as a Board or Committee member); "3" Advanced knowledge (e.g., direct experience; subject matter expert). A summary of the Board's level of knowledge with respect to each of the core competencies was included in the Proxy Summary on page P-11.

Diversity

While the Corporate Governance Committee does not have a specific policy with regard to the consideration of gender and/or racial/ethnic diversity in identifying director nominees, it is committed to actively seeking out highly qualified women and candidates of color as it strives to cast a wide net and recommend candidates who bring unique perspectives to the Board, which contributes to its collective diversity - diversity of knowledge, skills, experiences, thought, gender, race/ethnicity, retirement age and tenure. We believe this diversity improves the overall effectiveness of the Board as it carries out its oversight role.

Age and Tenure

Under the Corporate Governance Guidelines, a non-management Director shall not be nominated for election to the Board after attaining the age of 72, unless nominated by the Board for special circumstances. The Board does not believe it is appropriate or necessary to limit the number of terms a director may serve. The Board values the participation and insight of directors who have developed an increased understanding of the Company and the specific issues it faces doing business in a complex, regulated industry, as well as those directors who bring fresh and varied perspectives, resulting in a Board with a balanced tenure.

Time Commitment

Our Corporate Governance Committee recommends and the Board nominates candidates who they believe are capable of devoting the time necessary to carefully fulfil their fiduciary duties. The Corporate Governance Committee regularly reviews stockholders' views on the appropriate number of public company boards on which directors may serve, which the Board takes into consideration each year as it reviews its Corporate Governance Guidelines.

The Corporate Governance Guidelines limit the maximum number of public company boards on which a WEC Energy Group director may serve to four public companies (including our Board), and specify that any public company chief executive officer who serves as a director on our Board may not serve on more than two public company boards (including our Board). Limited exceptions may be made with Corporate Governance Committee approval. All of our directors are in compliance.

Independence

Our Corporate Governance Guidelines state that to be independent, the Board should consist of at least a two-thirds majority of independent directors. In order to be deemed independent, the individual must have no material relationship with the Company that would interfere with the exercise of good judgment in carrying out his or her responsibilities as a director.

The independence standards found in our Corporate Governance Guidelines are not only in compliance with the listing standards of the New York Stock Exchange ("NYSE"), but are actually more stringent than the NYSE rules. Our director independence guidelines are located in Appendix A of our Corporate Governance Guidelines, which are available on the Corporate Governance section of the Company's website at www.wecenergygroup.com/govern/governance.htm.

Prior to initial and annual election, all directors complete a detailed questionnaire that elicits information that is used to ensure compliance with the Board's and the NYSE's standards of independence. The Corporate Governance Committee also reviews potential conflicts of interest, including related-party transactions, interlocking directorships, and substantial business, civic and/or social relationships with other members of the Board that could impair the prospective Board member's ability to act independently from the other Board members and management. The Board also considers whether a director's immediate family members meet the independence criteria outlined in the Corporate Governance Guidelines, as well as whether a director has certain relationships with WEC Energy Group's affiliates, when determining the director's independence.

The Board has affirmatively determined that Directors Chadwick, Culver, Cunningham, Farrow, Fischer, Garcia-Thomas, Green, Knueppel, Lane, Payne and Stanek are independent. Directors Fletcher and Klappa are not independent due to their employment with the Company.

Director Stanek

Since 2005, WEC Energy Group has engaged Baird Financial Group primarily to provide consulting services for investments held in the Company's various benefit plan trusts. Baird also provides certain related administrative services. The Board reviewed the terms of this engagement, including the approximately \$729,270 in fees paid to Baird in 2020 (which are less than one-tenth of 1% of Baird's total revenue), and Director Stanek's position at Baird, and concluded that such engagement is not material and did not impact Director Stanek's independence. Director Stanek is not involved with and does not consult on the contract with or recommendations made by Baird and receives no direct financial benefit from these services. WEC Energy Group management evaluates Baird's services against market standards for overall quality and value on a regular basis. Neither the Board nor Director Stanek plays a role in the retention of Baird for these services or any related negotiation of commercial terms. In addition, WEC Energy Group's pension trusts and other benefit accounts do not hold any investments in Baird funds.

SUCCESSION PLANNING AND DIRECTOR NOMINATION PROCESS

Board Succession Planning

Our Board is regularly engaged in rigorous discussions on the Board's plans for ongoing succession, taking into consideration matters such as: current inventory of director skills and qualifications; diversity, including gender, race/ethnicity, retirement age and tenure; and future competencies needed to support appropriate oversight of the Company's long-term strategy and related risks and opportunities. These discussions are co-facilitated by the Executive Chairman and Independent Lead Director during the Board's executive sessions.

During 2020, these discussions took into consideration (1) the impact of Directors Chadwick, Fischer and Knueppel completing their service on the Board at the 2021 Annual Meeting of Stockholders, (2) opportunities to replace or enhance certain director skills, and (3) the Board's desire to seek out highly qualified women and candidates of color.

Guided by the Board's succession planning discussions, the Corporate Governance Committee, comprised entirely of independent directors, is responsible for identifying and recommending director candidates to our Board for nomination.

Director Nomination Process

The Corporate Governance Committee is responsible for recommending a slate of nominees to the Board for election at each Annual Meeting of Stockholders using the formal process detailed below.

1 Board Succession Planning	2 Identify Candidates	3 Evaluate Candidate Recommendations	4 Meet with Candidates	5 Recommend Candidate Nomination
Develop list of skills and qualifications sought in new directors and evaluate current Board composition	Proposed by stockholders, directors, and/or others	Screen qualifications, assess impact on Board composition, review independence and conflicts	Multiple meetings scheduled with Board Chairman, members of Corporate Governance Committee, and other members of the Board	Corporate Governance Committee considers feedback and makes recommendation to the Board

1. Board succession planning. The Corporate Governance Committee facilitates the director recruitment and nomination process through the lens of the Board's ongoing director succession planning process, as described above. The Corporate Governance Committee seeks to fulfill its duty to stockholders to consistently maintain a Board that is comprised of directors who each embody key attributes, and who, as a group, have the skills and experiences to effectively oversee management's strategy for operating in a complex industry while performing their fiduciary obligations.

2. Identify candidates. Candidates for director nomination may be proposed in a number of ways, including by stockholders, the Corporate Governance Committee, and other members of the Board. The Corporate Governance Committee may retain a third party to identify qualified candidates; no such firm was engaged with respect to the nominees listed in this proxy statement.

The Corporate Governance Committee will consider director candidates recommended by stockholders provided that the stockholders comply with the requirements and procedures set forth in our bylaws. Stockholders may also nominate or recommend director candidates by following the procedures outlined on P-77. No formal stockholder nominations or recommendations for director candidates were received in connection with the 2021 Annual Meeting of Stockholders.

Director Garcia-Thomas was elected to the Board effective January 1, 2021. Director Garcia-Thomas was initially recommended for consideration by two non-management Board members, following which the Corporate Governance Committee undertook the evaluation process described immediately below.

3. Evaluate candidate recommendations. The Committee follows an established process for evaluating all director candidates whether recommended by directors, stockholders or others. During this process, the Corporate Governance Committee reviews publicly available information regarding each identified candidate to assess whether that person should be considered further. The Corporate Governance Committee considers whether each individual embodies the key attributes listed above, as well as the person's qualifications, experience, skills, outside affiliations, age, gender, race and ethnicity. The Committee will utilize third parties if and as needed to assist with these activities.

As part of the evaluation process, the Corporate Governance Committee takes steps to ensure that the pool of director nominees contains the attributes, skills and experiences identified during Board succession planning discussions. If the Corporate Governance Committee determines that a candidate warrants further consideration, the Board Chairman or another member of the Board of Directors contacts the prospective director.

Generally, if a recommended candidate expresses a willingness to be considered and to serve on the Board, the Corporate Governance Committee will seek the Board's concurrence in moving the candidate forward to the interview stage of the nomination process. Further, it will instruct management to solicit from the candidate information used to review the candidate's independence and absence of potential conflicts of interest or reputational risk.

4. Meet with candidates. Candidates initially meet with the Board Chairman and other members of the Corporate Governance Committee. Upon agreement that a candidate has the attributes, skills and other identified factors the Board is seeking for its desired composition, all Board members are provided an opportunity to meet with the candidate and provide feedback to the Corporate Governance Committee.

5. Recommend candidate nomination. The Corporate Governance Committee will review feedback received from the meetings with the candidates, following which it will make a recommendation regarding nomination for the Board's discussion and final determination.

RESULTS →

5 New independent directors added since 2018 have brought the following skills, experiences and/or traits to our Board

-
- Technology and cyber security expertise
 - Financial and accounting expertise
 - M&A experience
 - Corporate sustainability experience
 - Gender and racial/ethnic diversity
 - Diversity oversight experience
 - Insights into public policy formation
 - Chief Risk Officer/enterprise risk expertise
 - Regulated industry experience
 - Power generation and renewable energy investment strategy expertise
-

Included in each director nominee's biography that follows are career highlights and other public directorships, along with the key qualifications, skills and expertise that we believe each director contributes to our Board. Our Board considered all of these factors, as well as the results of our annual Board evaluation, when deciding to re-nominate these directors.

2021 DIRECTOR NOMINEES FOR ELECTION

The following 10 individuals have been nominated for election to the Board of Directors at the 2021 Annual Meeting of Stockholders. Biographical information for each director nominee is set forth below. Ages are as of January 21, 2021, the date each person was designated as a nominee of the Board for election at the Meeting.

Curt S. Culver

Independent



Age: 68

Director Since: 2004

Board Committees: Corporate Governance; Executive; Finance (Chair)

Professional Experience

MGIC Investment Corporation and Mortgage Guaranty Insurance Corporation - Non-Executive Chairman of the Board since 2015. MGIC Investment Corporation is the parent company of Mortgage Guaranty Insurance Corporation, a private mortgage insurance company.

Other Public Directorships

Director of MGIC Investment Corporation since 1999.

Director Qualifications

Having served for 15 years as the CEO of Mortgage Guaranty Insurance Corporation and its parent company, MGIC Investment Corporation, Director Culver brings to our Board of Directors a strong working knowledge of the strategic, economic, and public policy issues facing a large, regulated, publicly-held company headquartered in Milwaukee Wisconsin. His expertise in risk management and oversight is particularly valuable in his service as chair of the Finance Committee, while his insurance industry experience puts him in a position to lead the Committee's evaluation of the Company's overall financial risk management program. Director Culver's broad corporate governance experience, developed from his extensive past and present service on the MGIC boards, as well as those of several highly-visible Milwaukee-area non-profit entities and two private for-profit organizations, is of great value to the Board as it carries out its oversight responsibilities.

Danny L. Cunningham

Independent



Age: 65

Director Since: 2018

Board Committee: Audit and Oversight (Chair); Executive

Professional Experience

Deloitte & Touche LLP - Retired Partner and Chief Risk Officer. Served as Partner, 2002 to 2015, and as Chief Risk Officer, 2012 to January 2016. Deloitte & Touche LLP is an industry-leading audit, consulting, tax, and advisory firm.

Other Public Directorships

Director of Enerpac Tool Group Corp. (formerly known as Actuant Corporation) since 2016.

Director Qualifications

Director Cunningham brings to our Board of Directors more than 30 years of experience serving public audit clients in a broad array of industries, including manufacturing, printing, process, software, and financial services, as well as a deep understanding of the business, economic, compliance, and governmental environment in which the Company and many of the Company's major customers operate. Director Cunningham applies his strong expertise in financial reporting, internal controls, and audit functions to his responsibilities as WEC Energy Group's Audit and Oversight Committee Chair. This experience, also contributes great value to the Board as it fulfills its responsibility for oversight of the Company's accurate preparation of financial statements and disclosures, and compliance with legal and regulatory requirements. Having served as chief risk officer at Deloitte & Touche LLP, he gained insights into the complexities of risk management, through which he applies his expertise in assessing the effectiveness of the Company's practices and policies to mitigate enterprise-wide risks. Director Cunningham's multi-national experience brings the added diversity of a global perspective to the Board as it evaluates its strategic objectives, while his past service on the Boards of several major Milwaukee-area not-for-profit organizations equips him to contribute thoughtful insights on issues impacting the city's culture, workforce, and economic vitality.

William M. Farrow III

Independent Lead Director



Age: 65

Director Since: 2018

Board Committees: Compensation;
Corporate Governance (Chair);
Executive

Professional Experience

Winston and Wolfe, LLC - Chairman and Chief Executive Officer since 2010. Winston and Wolfe LLC is a privately held technology development and advisory company.

Urban Partnership Bank - Retired President and CEO, 2010 to 2018. UPB provides financial services in moderate income communities located in Chicago, Detroit and Cleveland.

Other Public Directorships

Director of CBOE Global Markets Inc. since 2016.

Director of Echo Global Logistics Inc. since 2017.

Director Qualifications

In serving as WEC Energy Group's Independent Lead Director and Chair of the Corporate Governance Committee, Director Farrow brings to our Board of Directors 40 years of senior leadership experience in managing business operations, technology development, enterprise risk, and strategy. His extensive professional experience in the banking and financial markets, accompanied by knowledge acquired from his service on the Boards of CBOE Global Markets and the Federal Reserve Bank of Chicago, enable him to add significant value to the Board's oversight of the Company's financial management strategy. His firsthand experience and perspectives in addressing advances in information technology, as well as the experience he has gained as a current Board member on the Audit Committee for both CBOE Global Markets and Echo Global Logistics, is particularly valuable to the Board as WEC Energy Group companies address complex risks, including those associated with protecting operating systems and assets against physical and cyber threats. Having spent his career in Chicago, Director Farrow is also able to provide the Board with economic and public policy insight as it relates to conducting business in Chicago, which is further enhanced by the strong relationships he has developed with key leaders while serving on the Boards of several highly visible Chicago-area private, not-for-profit and community organizations. This is especially important given the sizable, long-term construction project that is underway by the Company's largest Illinois utility subsidiary to modernize the natural gas infrastructure in the city of Chicago, which requires ongoing collaboration with city and state government officials and regulatory agencies.

J. Kevin Fletcher

President and CEO



Age: 62

Director Since: 2019

Professional Experience

WEC Energy Group - CEO since February 2019; President since October 2018.

Wisconsin Electric Power Company (subsidiary of WEC) - Chairman of the Board and Chief Executive Officer since February 2019; President, May 2016 to November 2018; Executive Vice President-Customer Service and Operations, June 2015 to May 2016.

Director Fletcher also serves as an executive officer and/or director of several other major subsidiaries of WEC Energy Group.

Other Public Directorships

None

Director Qualifications

Director Fletcher has more than 40 years of experience working in the public utility industry, including nearly 25 years at a senior leadership level. Prior to joining the Company in 2011, Director Fletcher served as Vice President-Community and Economic Development at Georgia Power, the largest subsidiary of The Southern Company, a public utility holding company headquartered in the southeastern United States. During his 34-year career with Southern Co., 16 of those years as an officer, Director Fletcher held leadership positions in operations, customer service, marketing and sales. When he first joined WEC Energy Group, he served as Senior Vice President-Customer Operations of its utility subsidiaries, with overall responsibility for the planning, engineering, construction, operation and maintenance of the Company's electric and natural gas distribution systems in Wisconsin and Michigan's Upper Peninsula. In May 2016, he was appointed to serve as President of the Company's Wisconsin utility subsidiaries, and served as President of the Company's Minnesota and Michigan utility subsidiaries from September 2018 to June 2020. In October 2018, Director Fletcher was appointed President of WEC Energy Group, followed by his appointment to CEO in February 2019, which entails operational responsibility for all of the Company's utility subsidiaries. He also has held responsibility for the supplier diversity initiative across all of the Company's utilities. With his extensive experience in business operations, customer service, and senior leadership of publicly regulated utilities, Director Fletcher contributes substantive insight into the Company's industry and customers, to the management team, and to the Board.

Cristina A. Garcia-Thomas

Independent



Age: 51

Director Since: January 2021

Board Committee: Corporate Governance

Professional Experience

Advocate Aurora Health, Inc (formerly Aurora Health Care) – Chief External Affairs Officer since April 2018; Chief Experience Officer, October 2017 to April 2018; Chief Diversity Officer and Foundation President, September 2014 to October 2017. Advocate Aurora is a not-for-profit health care system operating in Wisconsin and Illinois.

Other Public Directorships

None

Director Qualifications

Director Garcia-Thomas brings to our Board of Directors significant leadership experience, particularly in the areas of customer and community relations, and diversity and inclusion. Since joining Aurora Health Care (now Advocate Aurora Health) – the largest employer in the Milwaukee region – in 2011, she has successfully addressed complex business issues in a highly regulated environment. In her current role as Chief External Affairs Officer, Director Garcia-Thomas is responsible for shaping the overall experience for patients, employees and community partners. She oversees diversity and inclusion, community relations, community health, community programs and the charitable foundation. Through her executive and civic leadership, Director Garcia-Thomas has established a strong network in the Company's Wisconsin and Illinois service areas, giving her keen insights into the needs of our customers. She contributes her experience in these areas to the Board's oversight responsibilities and strategic discussions on sustainable value creation, customer care and human capital management.

Maria C. Green

Independent



Age: 68

Director Since: 2019

Board Committee: Audit and Oversight; Corporate Governance

Professional Experience

Ingersoll Rand plc - Retired Senior Vice President and General Counsel, 2015 to June 2019. Ingersoll Rand is a diversified industrial manufacturer with market-leading brands serving customers in global commercial, industrial and residential markets.

Other Public Directorships

Director of Tennant Co. since May 2019.

Director of Littelfuse Inc. since February 2020.

Director Qualifications

Director Green brings to our Board of Directors senior leadership experience accumulated during her 35-year career in law and business, including extensive public company experience in strategic planning, acquisitions, enterprise risk management and shareholder relations. She has substantial experience with respect to corporate sustainability matters, including oversight responsibility for environmental compliance and corporate responsibility reporting, as well as engagement with investors on these matters. Having served in the role of corporate secretary for several public companies, Director Green's deep corporate governance experience is of tremendous value to the Board as it carries out its evolving oversight responsibilities. Director Green also contributes valuable insights into the economic, educational and social matters impacting the greater Chicago community, where the Company has two utility subsidiaries. In particular, these insights come from having served for 18 years at Illinois Tool Works, a Fortune 200 global diversified manufacturing company headquartered in the northern suburbs of Chicago, and as a member (and past chairman) of the Chicago Urban League executive committee.

Gale E. Klappa

Executive Chairman



Age: 70

Director Since: 2003

Board Committee: Executive (Chair)

Professional Experience

WEC Energy Group, Inc. – Executive Chairman since February 2019; Chairman of the Board and CEO, 2004 to May 2016 and October 2017 to February 2019; Non-Executive Chairman of the Board, May 2016 to October 2017; President, 2003 to August 2013.

Wisconsin Electric Power Company (subsidiary of WEC) - Chairman of the Board, 2004 to May 2016 and January 2018 to February 2019; CEO, 2003 to May 2016 and January 2018 to February 2019; President, 2003 to June 2015.

Director of Wisconsin Electric Power Company, 2003 to May 2016 and January 2018 to present.

Chairman Klappa also serves as a director of several other major subsidiaries of WEC Energy Group.

Other Public Directorships

Director of Associated Banc-Corp since 2016.

Director of Badger Meter, Inc. since 2010.

Director of Joy Global Inc., 2006 to 2017.

Director Qualifications

Chairman Klappa has more than 40 years of experience working in the public utility industry, including more than 25 at a senior executive level. He retired as the Company's CEO in May 2016, at which time he assumed the role of Non-Executive Chairman of the Board. Prior to joining the Company in 2003, Chairman Klappa served in various executive leadership roles at The Southern Company, a public utility holding company headquartered in the southeastern United States. Under his leadership, WEC Energy Group successfully completed its 2015 acquisition of Integrys Energy Group, which nearly doubled the employee and customer population, and increased the Company's geographic footprint to four states. With his extensive experience in the business operations and C-suite leadership of publicly regulated utilities, his service as a Board member for several other public companies, and his contributions to significant economic development initiatives in southeastern Wisconsin, Chairman Klappa has led the Board with a deep understanding of the financial, operational, and investment decisions and public policy issues facing large public companies, and his deep knowledge of the Company's industry, customers, stockholders, and management team is of great value to the Board.

Thomas K. Lane

Independent



Age: 64

Director Since: 2020

Board Committee: Finance

Professional Experience

Energy Capital Partners, LLC – Vice Chairman since 2017; Partner, 2005 to 2017. Energy Capital Partners is a private equity firm that focuses on investing in power generation, midstream gas, electric transmission and energy and environmental services sectors of North America's energy infrastructure.

Other Public Directorships

Director of Summit Midstream Partners, LP, 2009 to May 2020.

Director of USD Partners, LP, 2014 to April 2020.

Director Qualifications

Director Lane brings to our Board of Directors more than 30 years of broad financial experience focused within the energy sector. His experience in this area includes 17 years in the Investment Banking Division at Goldman Sachs where he held senior-level coverage responsibility for electric and gas utilities, independent power companies and midstream energy companies throughout the United States, which provides him with a deep understanding of the complexities inherent to delivering strong financial performance in a regulated industry. Since 2017, Director Lane has served as Vice Chairman of Energy Capital Partners, following 12 years as a partner of the firm. During this tenure, he has held responsibility for establishing and executing the firm's investment strategies, which include projects encompassing power generation and renewables, as well as midstream and environmental infrastructure. This experience enables him to add significant value to the Board's oversight of the Company's long-term growth strategy, as does his substantial experience planning and executing merger and acquisition strategies. Having testified before the House Energy Subcommittee on energy related matters, Director Lane also brings to the Board an understanding of the formulation of energy policy at the federal government level. As a member of the WEC Energy Group Finance Committee, Director Lane's expertise in financial management strategy serves as valuable input to the Company's execution of its financial plan.

Ulice Payne, Jr.

Independent



Age: 65

Director Since: 2003

Board Committees: Compensation (Chair); Executive; Finance

Professional Experience

Addison-Clifton, LLC - Managing Member since 2004. Addison-Clifton, LLC provides global trade compliance advisory services.

Other Public Directorships

Director of Foot Locker, Inc. since 2016.

Director of Manpower Group since 2007.

Trustee of The Northwestern Mutual Life Insurance Company, 2005 to 2018.

Director Qualifications

Director Payne brings to our Board of Directors strong senior leadership and public service experience within the greater Milwaukee community and State of Wisconsin, having previously served in roles that included the Securities Commissioner for the State of Wisconsin, managing partner of the Milwaukee office of the law firm Foley & Lardner LLP, and president and CEO of the Milwaukee Brewers Baseball Club, Inc. In addition, Director Payne is involved in numerous Milwaukee-area non-profit entities, making him well-positioned to provide the Board with perspective on the economic and social issues affecting the greater Milwaukee area, as well as a broad spectrum of the Company's customers. As founder and President of Addison-Clifton, LLC, which provides global trade compliance consulting, Director Payne understands the importance of providing clients with exceptional customer service, a focus that is critical to the execution of WEC Energy Group's strategic initiatives. Director Payne applies his senior leadership experience along with significant managerial, operational, financial and global experiences, to his role as chair of the Compensation Committee.

Mary Ellen Stanek

Independent



Age: 64

Director Since: 2012

Board Committee: Finance

Professional Experience

Baird Financial Group - Managing Director and Director of Asset Management since 2000. Baird Financial Group provides wealth management, capital markets, private equity, and asset management services to clients worldwide.

Baird Advisors - Chief Investment Officer since 2000. Baird Advisors is an institutional fixed income investment advisor.

Baird Funds, Inc. - President since 2000. Baird Funds is a publicly registered investment company.

Other Public Directorships

Director of Journal Media Group, Inc. and its predecessor companies, 2002 to 2016.

Trustee of The Northwestern Mutual Life Insurance Company since 2009.

Director Qualifications

Director Stanek, who is a Chartered Financial Analyst, brings to our Board of Directors extensive financial and investment strategy expertise, resulting from over 40 years of investment management experience. As Managing Director and Director of Asset Management of Baird Financial Group, a position she has held since 2000, Director Stanek's expertise in fixed income investments provides the Board and management with invaluable financial strategy insight relative to WEC Energy Group and its subsidiaries, which customarily issue debt securities as a means of raising capital. As a member of the WEC Energy Group Finance Committee, she also offers valuable perspective on insurance risk matters, having served for 15 years as a director of West Bend Mutual Insurance Company. In addition to her recognition as a prominent business leader in Milwaukee's financial community, Director Stanek has dedicated significant time to serving on the boards of a large number of Milwaukee-area non-profit organizations, through which she has developed strong relationships with key community leaders and stakeholders. From these experiences, she brings the Board insightful perspectives on issues impacting the culture and viability of today's workforce.

Governance

PRIMARY ROLE AND RESPONSIBILITIES OF OUR BOARD

Our Board is responsible for providing oversight with respect to matters of concern to our stockholders. Generally, those responsibilities encompass oversight of (i) long-term strategy and execution, (ii) the Company's risk environment and associated management policies and practices, and (iii) selection of the Chief Executive Officer and ongoing succession planning for senior leadership.

Oversight of Strategy

The Board believes that a fundamental, collective understanding of the issues facing the Company is imperative to its ability to carry out its strategic oversight responsibilities. Throughout the year, the Board engages in substantive discussions with management about the Company's long-term strategy. Elements of strategy are discussed within the Board committee meetings and at every regularly scheduled Board meeting. This includes updates from management on the Company's financial and operational goals and performance, and the internal and external factors that influence performance and sustainability.

At least annually, the Board engages in significant educational sessions that include briefings and presentations from the Company's senior leadership team, other members of management, and outside advisors and subject matter experts, including scientists and institutional investors. These sessions help the Board to understand the environment within which the Company operates and the risks and opportunities presented thereby, and inform and shape the Board's understanding of management's decision-making, leading to more effective oversight of the Company's short-, medium- and long-term strategies and operational objectives.

Management Development and Succession Planning

Company leaders are responsible for developing the talent across the organization through the broadening and deepening of business and leadership knowledge. Succession planning and internal talent development are strategic priorities of the Company and integral components of our approach to human capital management, which includes engagement at all levels of the organization, and with the Board.

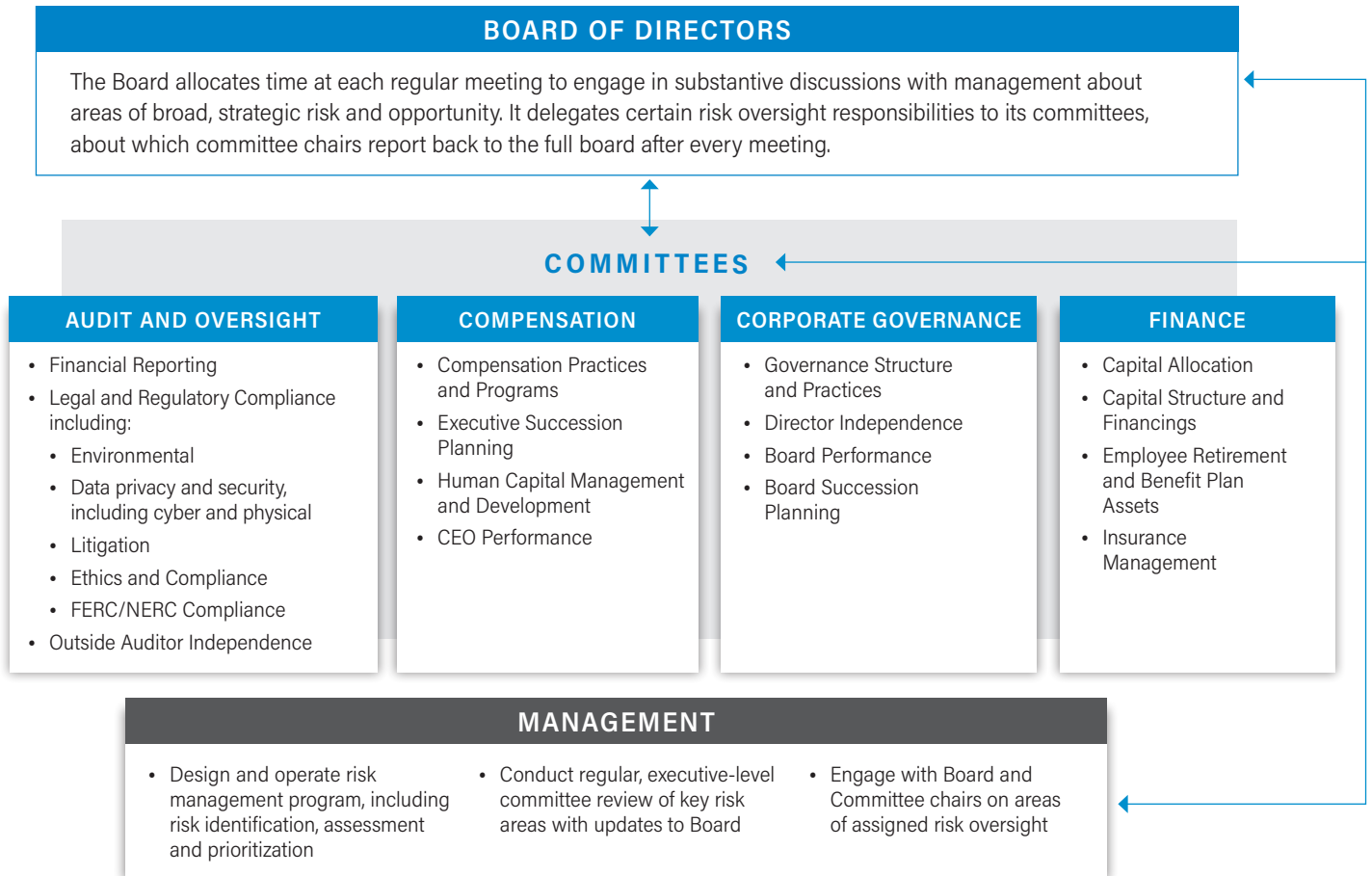
While the Compensation Committee has primary oversight for review of significant organizational changes at the executive level, as well as reviewing succession plans for executive officers, it regularly reports to and engages with the Board about these matters. Throughout 2020, the Board was actively engaged in oversight of the senior and executive management succession planning process. The Board spent considerable time, particularly during its executive sessions, discussing management's plans to foster a deep talent bench and plan for senior leadership succession, including development plans to prepare senior leaders for greater responsibilities. The Compensation Committee and the Board engaged in numerous discussions throughout 2020 about the Company's recruiting and development programs, including updates on key talent, workforce demographics, and plans to promote and sustain a culture of diversity, equity and inclusion.

Oversight of Risk Management

Our board of directors is responsible for providing oversight with respect to our major strategic initiatives, which requires ongoing dialogue with our senior management team about opportunities and risks, and the processes through which senior management maintains focus on the organization's key financial and business objectives, corporate policies, and overall economic, environmental and social performance. Senior management, in turn, is responsible for effectively planning and executing daily operations within a strong risk framework. The CEO provides reports to the Board at each Board meeting and routinely calls upon members of his staff to provide detailed updates within their respective areas of responsibility, including matters of enterprise risk.

To carry out its oversight function, the Board is organized into five standing committees with specific duties and risk-monitoring responsibilities: Audit and Oversight, Compensation, Corporate Governance, Executive and Finance. With the exception of the Executive Committee, the Board and each of its committees meet regularly throughout the year, and receive regular briefings prepared by management and outside advisors on specific areas of current and emerging risks to the enterprise, which are identified and monitored through the Company's enterprise risk management framework.

The Committees routinely report to the full Board on matters that fall within designated areas of responsibility as described in their charters. Examples of risk monitoring activity that have been designated to the full Board and its committees are shown in the chart below. More information on the committees' duties and responsibilities begins on page P-29.



While the Board delegates specified duties to its committees, the Board retains collective responsibility for comprehensive risk oversight, including short- and long-term critical risks that could significantly impact the Company. The Board believes that certain matters should be contemplated by the diverse perspective of its full membership. This includes oversight of environmental, social and governance risks that have the potential to result in significant financial or reputational consequences that could impact the Company's brand and jeopardize its value to stockholders.

Executive sessions for the non-management directors are generally held at every regularly scheduled Board and committee meeting, during which directors have direct access to, and meet as needed with, Company representatives to discuss matters of interest, including those related to risk management. Outside of scheduled meetings, the Board, its committees and individual Board members have full access to senior executives and other key employees, including the CEO, COO, CFO, General Counsel, Chief Audit Officer, Compliance Officer, Chief Information Officer and Controller. They are also free to engage as needed with the leaders of our utility companies and our corporate center departments, including customer service, environmental, external affairs, human resources, investor relations, tax and treasury.

As a standing corporate practice, each year, the Company's risk areas are systemically evaluated. Our Audit Services department conducts an annual enterprise risk assessment, whereby business leaders identify existing, new or emerging issues or changes within their business areas that could have enterprise implications. Risk areas are then mapped to create a cumulative assessment of their significance and likelihood, taking into consideration industry benchmarking information, as appropriate. The mapping also identifies lines of responsibility for managing the risks to ensure accountability and focus.

In addition, our Enterprise Risk Steering Committee ("ERSC"), which is chaired by the COO and consists of the CEO and other senior-level management employees, regularly reviews the Company's key risk areas and provides input into the development and implementation of effective compliance and risk management practices. On a bimonthly basis, the ERSC discusses findings of Audit Services' annual enterprise risk assessment, holds in-depth discussions with members of management on identified subjects, and tracks progress and status thereafter. Updates from these meetings are shared with the Board as directed by the CEO. The CEO provides reports to the Board at each Board meeting and routinely calls upon members of his staff, including the COO, CFO, and the executive vice president — external affairs, to provide detailed updates to the Board in their respective areas of responsibility, including matters of enterprise risk.

The Board believes that its leadership structure, in combination with management's enterprise risk management program, effectively supports the Board's risk oversight function.

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITMENT

The Board's oversight of the Company's strategic direction includes reviewing with senior management our approach to environmental, social and governance matters. The Board is mindful of management's responsibility to provide safe, reliable and affordable energy, to preserve the Company's long-term value and to make decisions that take into account not only the Company's stockholders, but also the interests of its other stakeholders and the well-being of the communities it serves, now and in the future.

Below are some highlights from 2020 that demonstrate the Company's and the Board's commitment to ensuring that the Company's goals and practices are aligned with a strong focus on environmental, social and governance priorities and, ultimately, sustainability.

Delivering a clean energy future

"ESG" Progress Plan: A Road Map for Investment in Efficiency, Sustainability and Growth

In advance of publicly announcing the Company's commitment to achieving its net-zero carbon dioxide target by 2050, last November, management reviewed multiple iterations of its ESG Progress Plan, which outlines the Company's five-year (2021-2025) capital plan, with the Board.

Management and the Board discussed the foundation underlying the \$16.1 billion in investments over five years that are designed to set the Company on the course to meet its long-term emission reduction targets while also ensuring continued focus on business fundamentals. Those discussions included factors such as underlying customer preferences and needs, regulatory environment, financial implications and technological advancements that will influence the trajectory of the plan's execution, and resulted in the Board's approval of management's strategic vision and recommendations.

Supporting our colleagues and communities

Human Capital Management

We strive to make our companies great places to work, with programs for individual development, initiatives to promote our core values of diversity and inclusion, and targeted recruitment as we build the workforce of the future. During 2020, we demonstrated this commitment through many initiatives focused on, among other priorities: employee education; significant support for and leveraging of our eight business resource groups; increasing workforce diversity; meeting our vigorous health and safety expectations; training and development opportunities for employees at all levels of the organization; and our robust succession planning process that ensures we have a talent pipeline for the future.

Supplier Diversity

We have had a supplier diversity program under the watchful guidance of senior leadership since 2002. In 2020, we spent a record \$303 million with diverse suppliers.

Community Support

Management and the Board have always embraced the Company's role as a leader in the communities we are privileged to serve. During 2020, our companies and foundations contributed more than \$20 million in charitable grants to support nonprofits hard at work helping others. This included over \$2 million directly to COVID-19 relief efforts.

Upholding strong governance

Board Oversight

As addressed in earlier sections, our Board has been deeply engaged in careful succession planning over the past several years, with a clear focus on maintaining a board composition that has the professional experience, core competencies, and diversity to provide effective oversight of the complex matters the Company faces in the highly regulated utility industry. Between 2018 and 2020, five new independent directors have been added to the Board. This has successfully resulted in enhancing the Board's collective core competencies and oversight expertise in key risk areas including technology and cyber security, enterprise risk, renewable energy investment strategy, corporate sustainability, and diversity, equity and inclusion initiatives, while simultaneously increasing its overall ethnic, racial and gender diversity, and decreasing overall Board tenure.

Priority Sustainability Issues

In early 2020, the Company partnered with the Electric Power Research Institute ("EPRI") in a formal assessment process, to identify the sustainability issues that are most important to our Company and its stakeholders, considering both current and potential long-term impacts, as well as input and validation from both internal and external stakeholders. The results of this comprehensive assessment have strengthened our existing commitment to sustainability, and are being used to develop strategies and drive changes to meet and exceed stakeholder expectations and pave the way for the Company's successful future.

Our Priority Sustainability Issues (alphabetical order)

- Climate strategy
- Community engagement
- Customer satisfaction
- Cybersecurity
- Economic development
- Empowered employees
- Energy affordability
- Energy reliability
- Environmental responsibility
- Financial discipline
- Government relations
- Innovation
- Operational performance
- Safety and health
- Stakeholder transparency
- Strategic governance
- Supply chain integrity

United Nations SDGs

Delivering reliable, affordable energy to our customers, reducing greenhouse gas emissions, and building and maintaining safe, resilient infrastructure are central to our business. These commitments align directly with three of the United Nations Sustainable Development Goals:



2021 Climate Report

In April 2019, having partnered with EPRI, the Company issued its first climate report, Pathway to a Cleaner Energy Future, to illustrate our approach to reducing greenhouse gas emissions and to present an analysis of factors that could affect our future decision-making. The Company is planning to issue an updated climate report in 2021, which will include revised assumptions and input from industry experts, to further lay out potential climate scenarios and the related risks, opportunities and uncertainties. This report is again being prepared in conformity with the Task Force on Climate-Related Financial Disclosures (TCFD).

SASB reporting standards

During 2020, working with outside advisors, the Company conducted a preliminary assessment of the alignment between SASB electric and gas utilities standards and our current public disclosures. In 2021, we will further evaluate the standards to assess potential new or enhanced reporting and/or disclosure opportunities.

Commitment to reporting transparency

We value the importance our stakeholders place on understanding how we manage risks and opportunities associated with sustaining our enterprise. In addition to engaging directly with stakeholders on environmental and social issues, we are committed to transparent reporting on these matters through a variety of mechanisms, including those noted below. Further, we routinely respond to data verification and survey requests from a substantial number of third-party organizations seeking input regarding our environmental, social and governance-related performance, programs and policies.



See the Corporate Responsibility section of our website for more details: www.wecenergygroup.com/csr

STOCKHOLDER ENGAGEMENT

Accountability to stockholders is critical to the Company's long-term success. We have systems in place to ensure that management and the Board hear, understand, and consider the issues that matter most to our stockholders and other key constituents. This ongoing engagement provides valuable insight into how the Company's practices and policies are externally perceived, shapes the processes used to evaluate goals and expectations, and helps to highlight emerging issues that may affect our governance practices.

Company leadership, including the Executive Chairman, regularly engages with stakeholders to discuss the Company's business results, strategic direction and governance practices through a year-round engagement program, which provides valuable feedback to management and the Board about our governance practices.

<p>Who we engage</p> <ul style="list-style-type: none"> Institutional and retail stockholders Industry thought leaders Sustainability-centered coalitions and activists Proxy advisory firms Environmental, social and governance rating firms 	<p>Who participates in engagement</p> <ul style="list-style-type: none"> Members of the Board Senior management Employees from disciplines across the enterprise, including investor relations, legal, environmental, government affairs and corporate affairs 	<p>Year-round governance engagement process</p> <p>Summer</p> <ul style="list-style-type: none"> Review results from Annual Meeting of Stockholders Seek feedback from stockholders on voting decisions Assess governance and executive compensation practices Provide Board with feedback and recommendations <p>Fall</p> <ul style="list-style-type: none"> Discuss executive compensation practices and environmental, social and governance topics with investors Consider enhancements to our practices and disclosures Share investor feedback and recommendations with Board <p>Winter</p> <ul style="list-style-type: none"> Continue discussions with investors on executive compensation practices and environmental, social and governance topics Board approves, as needed, changes or enhancements to practices and disclosures Develop disclosures for the proxy statement Publish Form 10-K <p>Spring</p> <ul style="list-style-type: none"> Publish Annual Report and Proxy Statement Hold Annual Meeting of Stockholders
<p>How we engage</p> <ul style="list-style-type: none"> Quarterly investor calls, conferences, presentations Ad hoc in-person and virtual meetings Participation in industry associations and forums Timely disclosures filed with the Securities and Exchange Commission ("SEC") and publication of other significant corporate reports on our Website Process for stockholders to directly correspond with individual directors via the Corporate Secretary 		
<p>Topics of engagement in 2020</p> <ul style="list-style-type: none"> Corporate strategy Financial and operational performance results Management succession planning Board composition and refreshment Executive compensation metrics and targets 		

In 2020, we engaged with stockholders representing approximately 37% of the Company's outstanding common stock about our environmental, social, governance and compensation practices. We also engaged with key constituents across the broader governance community, a sample of which is provided below.

<p>Jan/Feb</p> <ul style="list-style-type: none"> 4th Quarter and Full Year 2019 Earnings Call Evercore ISI Utility CEO Conference UBS Power & Utilities Conference Form 10-K published 	<p>May/June</p> <ul style="list-style-type: none"> 1st Quarter Earnings Call Annual Meeting of Stockholders American Gas Association Financial Forum Conference 	<p>Sept/Oct</p> <ul style="list-style-type: none"> Wolfe Utilities & Energy Conference Investor outreach focused on environmental, social and governance topics
<p>March/April</p> <ul style="list-style-type: none"> Annual Report and Proxy Statement published Bank of America Merrill Lynch Boston Power, Utilities and Renewables Conference Chairman's fireside 1:1 chats with Guggenheim, UBS, Wolfe, Evercore ISI 	<p>July/Aug</p> <ul style="list-style-type: none"> 2nd Quarter Earnings Call 2019 Corporate Responsibility Report published Submitted responses to CDP Questionnaire 	<p>Nov/Dec</p> <ul style="list-style-type: none"> 3rd Quarter Earnings Call Edison Electric Institute Financial Conference Wells Fargo Securities Midstream and Utility Symposium

BOARD LEADERSHIP STRUCTURE

Roles of the Chairman and CEO

Consistent with WEC Energy Group's bylaws and Corporate Governance Guidelines, the Board retains the right to exercise its discretion in combining or separating the offices of the Chief Executive Officer and Chairman of the Board. The Board believes the current leadership structure of separate CEO and Chairman positions is in the best interests of the Company's stockholders at this time. This structure allows Mr. Fletcher to focus on implementing the Company's operating plans and leading the day-to-day management of our seven customer-facing utilities, and allows Mr. Klappa to lead the Board in its oversight, advisory and risk management roles, with added leadership responsibility for Company strategy, capital allocation, investor relations and economic development matters.

Independent Lead Director

For many years, our Corporate Governance Guidelines have detailed the specific duties to be performed by the Board's Independent Presiding Director, a position that has been held by the Chair of the Corporate Governance Committee. In May 2020, the Board changed the name of the position to Independent Lead Director and defined the duties and responsibilities of this role. The Board then elected Director Farrow, who serves as the Chair of the Corporate Governance Committee, to serve in this role. As a general practice, the independent members of the Board will elect the Independent Lead Director, and annually conduct a performance evaluation of his or her effectiveness.

Duties of the Independent Lead Director include:

- presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors without any management present;
- serves as liaison between the CEO and the independent directors under most circumstances, although each individual director has full access to the CEO;
- authority to call meetings of the independent directors;
- reviews and approves meeting schedules and agendas for the Board and its committees for content and to assure there is sufficient time for discussion of all agenda items;
- reviews all proposed changes to committee charters;
- leads the annual Board evaluation;
- provides input to the Chairman on the scope, quality and timeliness of information provided to the Board;
- authority to attend all committee meetings, as appropriate;
- be available for consultation and communication with significant stockholders and other interested parties, if needed; and
- any other duties as may be prescribed by the Board.

BOARD AND COMMITTEE PRACTICES

Board Meetings and Attendance

During 2020, the Board met eight times and executed five written unanimous consents. All directors attended more than 75% of the total number of meetings of the Board and Board committees on which he or she served, with average director attendance at more than 96%. Generally, all directors are expected to attend the Company's Annual Meetings of Stockholders. All directors who were standing for election at the 2020 Annual Meeting of Stockholders were in attendance.

Executive Sessions

At every regularly scheduled Board and committee meeting, executive sessions are scheduled, and are generally held, for the non-management directors to meet without management present. In 2020, an executive session of independent, non-management directors was held at every regularly scheduled Board meeting and at most committee meetings.

Director Orientation and Continuing Education

Management takes seriously its responsibility to onboard new directors and provide ongoing education for existing directors on the unique and complex issues inherent in operating a public company in the regulated utility industry.

Management has created a robust orientation program that introduces new directors to the Company's organizational structure, businesses, strategies, risks and opportunities, which includes in-house and field programs such as walking tours of the Company's generating facilities and project sites, senior management presentations and individual sessions with senior leaders. These activities assist new directors in developing and/or enhancing their Company and industry knowledge to optimize their service on the Board. To ensure that our directors have self-directed access to governance-related resources and director training opportunities, all of our directors are members of the National Association of Corporate Directors.

During 2020, management provided significant educational opportunities for the Board to better understand the external environment within which the Company operates, including briefings and presentations provided by third-party experts, outside advisors and other stakeholders, including large institutional investors.

Annual Performance Evaluations

CEO Performance

The Compensation Committee, on behalf of the Board, annually evaluates the performance of the CEO and reports the results to the Board. The CEO is evaluated in a number of areas including leadership, vision, financial stewardship, strategy development and execution, management development, effective communication with constituencies, demonstrated integrity and effective representation of the Company in community and industry affairs.

As part of this practice, the Compensation Committee Chair individually obtains from each non-management director his or her input on the CEO's performance, which is summarized and discussed with the Compensation Committee members, followed by discussion in executive session with all non-management directors. The Compensation Committee Chair then shares the evaluation results with the CEO. This procedure allows the Board to evaluate the CEO and to communicate the Board's expectations. The Compensation Committee considers the input of all non-management directors in determining appropriate compensation for the CEO. This process was completed and the Compensation Committee approved a 2021 compensation package for Mr. Fletcher in December 2020.

Executive Chairman Performance

Under the same process and timing as the CEO performance evaluation, the Compensation Committee Chair facilitated the annual performance evaluation of Mr. Klappa in his role as Executive Chairman. The results were discussed with the Compensation Committee members, followed by discussion with all non-management directors in executive session and, ultimately, with Mr. Klappa. Having received input from the full Board, thereafter, the Compensation Committee approved a 2021 compensation package for Mr. Klappa in December 2020.

Independent Lead Director Performance

On an annual basis, the Independent Lead Director will be evaluated on the effectiveness in carrying out his or her duties, which are outlined in the Corporate Governance Guidelines. This evaluation will be led by the Chairman of the Board, who will reference the National Association of Corporate Directors ("NACD") Lead Director Assessment framework to facilitate individual conversations with the independent directors to capture feedback. The Lead Director will be evaluated in several areas including his facilitation of discussions between and amongst the Chairman and the directors during open sessions with management, during executive sessions, and outside of board meetings, and his collaboration with the Chairman in identifying key topics, issues and concerns that directors wish to be addressed during board meetings and executive sessions. The Chairman will use this input to provide the Independent Lead Director feedback in carrying out his or her duties in the upcoming year. Director Farrow will complete his first year of service in this role in May 2021; the Board plans to complete this evaluation in advance of this anniversary date.

Board Performance

The Board recognizes that self-reflection and continuous improvement are key to remaining an effective governing body. Led by the Independent Lead Director, the Corporate Governance Committee is charged with overseeing the Board's annual evaluation process, a process which is reviewed periodically, and includes discussion on whether to utilize a third-party facilitator.

In 2020, the Board evaluated its performance utilizing a framework of questions developed by the NACD, in addition to several broad "reflection" questions. This evaluation process was conducted in December of 2020. The Corporate Governance Committee and the Board discussed the Board evaluation results at their meetings in January 2021. It is standard practice for the Corporate Governance Committee to use the results of this process to foster continuous improvement of the Board's governance activities.

2020 MULTI-STEP EVALUATION PROCESS

1 Self-Reflection Questionnaire

Directors contemplated the Board's performance across the following elements:

- board composition and leadership
- board committees
- board meetings
- overall effectiveness of the Board
- overall effectiveness of the Board with regard to management.

2 One-on-One Discussion with Independent Lead Director

The Independent Lead Director engaged in one-on-one discussions with each director on elements of the Board's performance, allowing each director an opportunity to speak candidly.

3 Discussion of Key Take-Aways and Governance Enhancements

Having captured a summary of the feedback from these discussions, the Independent Lead Director led the Corporate Governance Committee, and then the Board during its Executive Session, through group discussions of key takeaways and recommended enhancements to its governance practices.

Committee Performance

Each committee, except the Executive Committee, conducts an annual performance evaluation of its own activities and reports the results to the Board. During this evaluation, each committee compares its performance against the requirements of its charter and its annual planning calendar; contemplates a series of questions related to the qualifications and performance of committee members; considers the quality and quantity of information provided to the committee in advance of its meetings; and evaluates the effectiveness of the processes the committee uses to carry out its oversight responsibilities. The results of the annual evaluations are used by each committee to identify its strengths and areas where its governance practices can be improved. Each committee may recommend changes to its charter to the full Board based upon the evaluation results.

It is also standard practice for the Corporate Governance Committee annually to conduct a holistic review of all of the Committees' charters and annual planning calendars, taking into consideration evolving and new best practices with respect to risk oversight. Recommendations are routed to the appropriate Committee Chair, as needed, for consideration.

BOARD COMMITTEES

The Board of Directors has the following committees: Audit and Oversight, Compensation, Corporate Governance, Executive and Finance. Each committee, except the Executive Committee, operates under a charter approved by the Board, which can be found on our website at www.wecenergygroup.com/govern/committee-comp.htm. With the exception of the Executive Committee, only independent directors serve on the standing committees.

- Directors Chadwick, Fischer and Knueppel will complete their service as directors in May 2021, and are not serving as nominees for re-election at the 2021 Annual Meeting of Stockholders.
- The Board plans to approve committee rotations of its independent directors, to be effective immediately following the 2021 Annual Meeting of Stockholders.

Audit and Oversight

Members	Key Responsibilities
Danny L. Cunningham, Chair Patricia W. Chadwick Thomas J. Fischer Maria C. Green Henry W. Knueppel	<ul style="list-style-type: none">• Oversee the integrity of the financial statements.• Oversee management compliance with legal and regulatory requirements.• Review the Company's environmental and compliance programs.• Review, approve, and evaluate the independent auditors' services.• Oversee the performance of the internal audit function and independent auditors.
2020 Meetings: 6	<ul style="list-style-type: none">• Discuss risk management and major risk exposures and steps taken to monitor and control such exposures.• Establish procedures for the submission and treatment of complaints and concerns regarding the Company's accounting controls and auditing matters.• Prepare the audit committee report required by the SEC for inclusion in the proxy statement.

The Audit and Oversight Committee is a separately designated committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit and Oversight Committee consists solely of independent directors who meet the independence requirements of the SEC, NYSE and the Board's Corporate Governance Guidelines. In addition, the Board has determined that all of the members of the Audit and Oversight Committee are financially literate as required by NYSE rules and that Directors Cunningham, Chadwick, Fischer and Knueppel qualify as audit committee financial experts within the meaning of SEC rules.

Corporate Governance

Members	Key Responsibilities
William M. Farrow III, Chair Curt S. Culver Cristina A. Garcia-Thomas Maria C. Green Henry W. Knueppel	<ul style="list-style-type: none">• Establish and annually review the Corporate Governance Guidelines to verify that the Board is effectively performing its fiduciary responsibilities to stockholders.• Establish and annually review director candidate selection criteria.• Identify and recommend candidates to be named as nominees of the Board for election as directors.
2020 Meetings: 6*	<ul style="list-style-type: none">• Lead the Board in its annual review of the Board's performance.• Review and determine the compensation package of non-management directors in conjunction with the Compensation Committee.

*Included one joint meeting with the Compensation Committee.

The Corporate Governance Committee consists solely of independent directors who meet the independence requirements of the NYSE and the Board's Corporate Governance Guidelines.

Executive

The Board also has an Executive Committee, which may exercise all powers vested in the Board except action regarding dividends or other distributions to stockholders, filling Board vacancies, and other powers which by law may not be delegated to a committee or actions reserved for a committee comprised of independent directors. The members of the Executive Committee are Gale E. Klappa (Chair), Curt S. Culver, Danny L. Cunningham, William M. Farrow III, Thomas J. Fischer, and Ulice Payne, Jr. The Executive Committee did not meet in 2020.

Finance

Members	Key Responsibilities
Curt S. Culver, Chair Patrica W. Chadwick Thomas K. Lane Ulice Payne, Jr. Mary Ellen Stanek	<ul style="list-style-type: none">• Review and monitor the Company's current and long-range financial policies and strategies, including our capital structure and dividend policy.• Authorize the issuance of corporate debt within limits set by the Board.• Discuss policies and financial programs with respect to financial risk management.• Approve the Company's financial plan, including the capital budget.

2020 Meetings: 3

The Finance Committee consists solely of independent directors who meet the independence requirements of the NYSE and the Board's Corporate Governance Guidelines.

Compensation

Members	Key Responsibilities
Ulice Payne, Jr., Chair William M. Farrow III Thomas J. Fischer	<ul style="list-style-type: none">• Determine and annually review the Compensation Committee's compensation philosophy.• Oversee the development of competitive, performance-based executive and director compensation programs.• Review and approve the compensation paid to select employees, including the Company's executive officers (including base salaries, incentive compensation, and benefits).• Establish and administer the CEO and Executive Chairman compensation packages.• Set performance goals relevant to the CEO and Executive Chairman compensation.• Annually evaluate CEO and Executive Chairman performance and determine compensation adjustments.• Oversee succession planning of executive officers.• Prepare the report required by the SEC for inclusion in the proxy statement.• Review the results of the most recent stockholder advisory vote on compensation of the named executive officers ("NEOs").

*Included one joint meeting with the Corporate Governance Committee.

The Compensation Committee consists solely of independent directors who meet the independence requirements of the SEC, NYSE and the Board's Corporate Governance Guidelines.

The Compensation Committee is charged with administering the compensation package of WEC Energy Group's non-management directors. The Compensation Committee meets with the Corporate Governance Committee annually to review the compensation package of WEC Energy Group's non-management directors and to determine the appropriate amount of such compensation.

Compensation Advisor: The Compensation Committee, which has authority to retain advisers and consultants at WEC Energy Group's expense, retained Frederic W. Cook & Co., Inc. ("FW Cook") to analyze and help develop the Company's executive compensation program, and to assess whether the compensation program is competitive and supports the Committee's objectives. FW Cook also assesses and provides recommendations on non-management director compensation, as discussed in more detail on pages P32-P33. FW Cook is engaged solely by the Compensation Committee to provide executive compensation consulting services, and does not provide any additional services to the Company.

In connection with its retention of FW Cook, the Compensation Committee reviewed FW Cook's independence, including: (1) the amount of fees received by FW Cook from WEC Energy Group as a percentage of FW Cook's total revenue; (2) FW Cook's policies and procedures designed to prevent conflicts of interest; and (3) the existence of any business or personal relationships that could impact independence. After reviewing these and other factors, the Compensation Committee determined that FW Cook is independent and the engagement did not present any conflicts of interest. FW Cook also determined that it was independent from the Company's management, which was confirmed in a written statement delivered to the Compensation Committee.

For more information regarding our executive and director compensation processes and procedures, please refer to "Compensation Discussion and Analysis" beginning on page P-44 and to "Director Compensation" beginning on page P-32, respectively.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the persons who served as members of the Compensation Committee during 2020 was an officer or employee of the Company during 2020 or at any time in the past nor had reportable transactions with the Company.

During 2020, none of our executive officers served as a member of the Compensation Committee or as a director of another entity, one of whose executive officers served on the Compensation Committee or as a director of the Company.

ADDITIONAL GOVERNANCE MATTERS

Political Contributions and Lobbying

As part of its oversight function, the Board's Audit and Oversight Committee conducts an annual review of the Company's Political Contributions Policy. This policy governs the Company's corporate contributions to organizations operating under Section 527 of the Internal Revenue Code and organizations that qualify as national political committees. In 2020, we made no contributions of this nature, nor did we make any independent political expenditures in direct support of or in opposition to a campaign or ballot measure. The Company has five Political Action Committees ("PACs") across its geographical footprint, which are authorized by elections laws to collect voluntary contributions from employees who choose to participate. The PACs support causes and candidates for federal, state and local offices to benefit energy safety, reliability and affordability, without regard for executives' personal political preferences. Our website includes information on: (1) contributions made by our PACs; (2) corporate contributions to Wisconsin state party legislative committees; (3) links to federal and state lobbying reports; and (4) trade organization memberships, including annual dues and contributions of \$25,000 or more to trade associations and coalitions. To learn more, please access our Political Activities web page at <https://www.wecenergygroup.com/csr/political-activities.htm>.

Code of Business Conduct

WEC Energy Group's Code of Business Conduct ("Code") is the foundation of the Company's Ethics and Compliance program, as it sets the standards for creating and sustaining a culture of ethics and integrity. The Compliance Officer oversees the management and operations of the program, about which he provides regular update reports to the Board's Audit and Oversight Committee. All WEC Energy Group directors, executive officers and employees, including the principal executive, financial and accounting officers, have a responsibility to comply with the Code, to seek advice in doubtful situations and to report suspected violations.

The Code addresses expectations for Company culture, including among other things: non-retaliation for raising concerns; safety; diversity and inclusion; conflicts of interest; confidentiality; fair dealing; protection and proper use of Company resources, assets and information; and compliance with laws, rules and regulations (including insider trading laws). The Code is available on our website at the following address: www.wecenergygroup.com/govern/codeofbusinessconduct.pdf

The Company has several ways individuals can report concerns and raise questions concerning the Code and other Company policies. As one reporting mechanism, the Company has contracted with a third-party so that individuals can confidentially and anonymously report suspected violations of the Code or other concerns, including those regarding accounting, internal accounting controls or auditing matters. The Company has not provided any waiver to the Code for any director, executive officer or other employee.

Related Party Transactions

We have a robust system for identifying potential related person transactions. The Code addresses, among other things, how to identify and report potential conflicts of interest, including those from related-party transactions. The Code lists the following as examples of potentially problematic situations: (1) family members who are a supplier, contractor or customer of the Company or work for one; (2) obtaining any financial interest in or participating in any business relationship with any company, individual or concern doing business with WEC Energy Group or any of its subsidiaries that might influence the individual's decisions or job performance; (3) participating in any joint venture, partnership or other business relationship with WEC Energy Group or any of its subsidiaries; and (4) serving as an officer or member of the Board of any substantial, outside for-profit organization.

Because the Board is mindful of the expectation of its directors to devote the time necessary to fulfill their fiduciary duties, the Corporate Governance Guidelines contain additional requirements for directors seeking to join other Boards. For example, all directors must notify the Company's Corporate Secretary before accepting a nomination for a position on the Board of another public company and the CEO must obtain the approval of the full Board before accepting such a position.

To further backstop such discussions and approvals, every year all directors, director nominees and executive officers are required to complete a questionnaire that asks about any business relationship that may give rise to a conflict of interest and all transactions in which the Company or one of its subsidiaries is involved and in which the director, director nominee or executive officer or a relative or affiliate of such director, nominee or executive officer has a direct or indirect material interest. The Corporate Secretary discusses the results of this diligence with the Corporate Governance Committee. We do not have a written policy pertaining solely to the approval or ratification of related person transactions.

Since January 1, 2020, there have been no related-party transactions, and there are no currently proposed related-party transactions, required to be disclosed pursuant to SEC rules.

COMMUNICATIONS WITH THE BOARD

Stockholders and other interested parties who wish to communicate with members of the Board, including the Independent Lead Director or the other non-management directors individually or as a group, may send correspondence to them in care of the Corporate Secretary, Margaret C. Kelsey, at the Company's principal executive offices, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201. All communications received as set forth above will be opened by the Corporate Secretary for the sole purpose of confirming the contents represent a message to the Company's directors. Pursuant to instructions from the Board, all communication, other than advertising, promotion of a product or service, or patently offensive material, will be forwarded promptly to the addressee.

Where to find more information on governance

You can find our Corporate Governance Guidelines, Code of Business Conduct, and other corporate governance materials, including WEC Energy Group's Restated Articles of Incorporation, Bylaws, Board committee charters and Board contact information, on the Corporate Governance section of our website at www.wecenergygroup.com/govern/governance.htm. You can request copies of these materials from the Corporate Secretary at the address provided above in "Communications with the Board."

DIRECTOR COMPENSATION

Consistent with its charter, the Compensation Committee seeks to maintain a competitive director compensation program that enables the Company to attract and retain key individuals and to motivate them to help the Company achieve its short- and long-term goals. As such, the Committee is responsible for reviewing key market-based trends in director compensation and benefits packages and for recommending changes to the Board, as appropriate, that will attract and retain quality directors. The Committee's charter authorizes it to engage consultants or advisors in connection with its review and analysis of director compensation. The Compensation Committee used FW Cook during 2020 for this purpose. Directors who are also employees of the Company do not receive additional compensation for service as a director.

2020 Compensation of the Board of Directors

The following table describes the components of the non-management director compensation program during 2020. The Compensation Committee believes that this program:

- is equitable based upon the work required of directors serving an entity of the Company's size and scope, and
- ties the majority of director compensation to stockholder interests because the value of the equity awards fluctuates depending upon the Company's stock price.

Compensation Element	2020 Non-Management Director Compensation Program
Annual Cash Retainer Fee	\$110,000
Annual Equity Retainer	\$140,000 in restricted stock, which vests one year from grant date
Annual Committee Chair Fees	
• Audit and Oversight	\$20,000 paid in \$5,000 quarterly increments
• Compensation	\$20,000 paid in \$5,000 quarterly increments
• Corporate Governance	\$15,000 paid in \$3,750 quarterly increments
• Finance	\$15,000 paid in \$3,750 quarterly increments
Board and Committee Meeting Fees	None
Stock Ownership Guideline	Ownership of common stock or deferred stock units that have a value equal to five times the annual cash retainer for non-management directors to be satisfied within five years of joining the Board

Insurance is also provided by the Company for director liability coverage, fiduciary and employee benefit liability coverage, and travel accident coverage for director travel on Company business. The premiums paid for this insurance are not included in the amounts reported in the table located on the next page.

The Company reimburses directors for all out-of-pocket travel expenses. These reimbursed amounts are also not reflected in the table located on the next page.

Deferred Compensation Plan

Non-management directors may defer all or a portion of their cash fees pursuant to the Directors' Deferred Compensation Plan. Directors have two investment options in the plan - the Company's phantom stock measurement fund or a prime rate fund. The value of the phantom stock measurement fund appreciates or depreciates based upon market performance of the Company's common stock, and it also grows through the accumulation of reinvested dividend equivalents. Deferral amounts are credited in the name of each participating director to accounts on the books of WEC Energy Group that are unsecured and are payable only in cash at the time elected by the director. Deferred amounts will be paid out of general corporate assets or the assets of the Wisconsin Energy Corporation 2014 Rabbi Trust addressed later in this proxy statement.

Legacy Charitable Awards Program

Directors elected prior to January 1, 2007 participate in a Directors' Charitable Awards Program under which the Company intends to contribute up to \$100,000 per year for 10 years to one or more charitable organizations chosen by each participating director, including employee directors, following the director's death. Charitable donations under the program will be paid out of general corporate assets. Directors derive no financial benefit from the program, and all income tax deductions accrue solely to the Company. The tax deductibility of these charitable donations may mitigate the net cost to the Company. The Directors' Charitable Awards Program has been eliminated for any new directors elected after January 1, 2007. Current directors participating in the program are Directors Chadwick, Culver, Fischer, Klappa and Payne.

Director Compensation Table

The following table summarizes the total compensation received during 2020 by each director serving as a non-management director of WEC Energy Group in 2020.

Name	Fees Earned or Paid In Cash (\$)	(1) Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Barbara L. Bowles ⁽²⁾	117,500	289,295 ⁽³⁾	—	—	—	23,374	430,169
Albert J. Budney, Jr. ⁽²⁾	110,000	289,295 ⁽³⁾	—	—	—	—	399,295
Patricia W. Chadwick	110,000	140,000	—	—	—	21,947	271,947
Curt S. Culver	125,000	140,000	—	—	—	23,839	288,839
Danny L. Cunningham	120,000	140,000	—	—	—	—	260,000
William M. Farrow III	117,500	140,000	—	—	—	—	257,500
Thomas J. Fischer	120,000	140,000	—	—	—	24,893	284,893
Maria C. Green	110,000	140,000	—	—	—	—	250,000
Henry W. Knueppel	110,000	140,000	—	—	—	—	250,000
Thomas K. Lane	110,000	140,000	—	—	—	—	250,000
Ulice Payne, Jr.	130,000	140,000	—	—	—	17,572	287,572
Mary Ellen Stanek	110,000	140,000	—	—	—	—	250,000

(1) Other than Directors Bowles (0 shares) and Budney (0 shares), each director held 1,572 shares of restricted stock as of the close of business on December 31, 2020.

(2) Directors Bowles and Budney completed their service as directors at the 2020 Annual Meeting of Stockholders.

(3) In consideration of their exemplary service to the Board, the Compensation Committee accelerated the vesting of 1,541 shares of restricted stock previously awarded to each of Directors Bowles and Budney. The incremental fair value associated with each acceleration was \$149,295, which is included in the reported amounts.

Fees Earned or Paid in Cash

The amounts reported in the Fees Earned or Paid in Cash column include annual cash-based retainers for each non-management director and applicable annual committee chair fees earned during 2020 regardless of whether such retainers and fees were paid in cash or deferred.

Stock Awards

On January 2, 2020, each current non-management director received his or her 2020 annual equity retainer in the form of restricted stock equal to a value of \$140,000. The amounts reported in the Stock Awards column include the aggregate grant date fair value, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718, excluding estimated forfeitures, of the restricted stock awarded. Each reported restricted stock award vests in full one year from the grant date.

All Other Compensation

All amounts reported in the All Other Compensation column represent costs attributed to the director for the Directors' Charitable Awards Program. See "Legacy Charitable Awards Program" above for additional information.

2021 Compensation of the Board of Directors

In December 2020, the Compensation Committee completed its annual review of director compensation and determined that, based upon research provided by FW Cook, total non-management director compensation delivered in cash-based retainers and in equity, as well as the Committee Chair fees, were consistent with market median. As a result, other than the supplemental cash retainer for the Independent Lead Director discussed below, the Compensation Committee recommended and the Board agreed that it was appropriate for 2021 Board compensation to remain unchanged from the approved 2020 levels.

In May 2020, the Board renamed the Independent Presiding Director position to Independent Lead Director and defined the duties and responsibilities of this role. The Board elected Director Farrow to serve in this position, in addition to his roles as Chair of the Corporate Governance Committee and a member of the Compensation and Executive Committees. During the second half of 2020, the Compensation Committee reviewed research provided by FW Cook on compensation practices relative to the Independent Lead Director role and determined that a supplemental cash retainer was a recommended common practice. In December 2020, the Compensation Committee, with Director Farrow having abstained from all discussions and votes that took place on this matter, recommended the Board approve a supplemental cash retainer payable annually for the director who is elected to carry out the additional responsibilities of this role. Effective January 2021, Director Farrow will receive a supplemental cash retainer of \$30,000 for serving as Independent Lead Director for 2021.

PROPOSAL 2: RATIFICATION OF DELOITTE & TOUCHE LLP AS INDEPENDENT AUDITORS FOR 2021

What am I voting on?

Stockholders are being asked to vote to ratify the appointment of Deloitte & Touche LLP, a registered public accounting firm, to serve as the Company's Independent Auditors for the fiscal year ending December 31, 2021.

Voting Recommendation:

✓ **FOR the ratification of Deloitte & Touche LLP as independent auditors for 2021.**

Although the Audit Committee has the sole authority to appoint the Independent Auditors, as a matter of good corporate governance, the Board submits its selection of the Independent Auditors to our stockholders for ratification. If the stockholders do not ratify the appointment of Deloitte & Touche LLP, the Audit and Oversight Committee will reconsider the appointment.

The Audit and Oversight Committee of the Board of Directors has sole authority to appoint, evaluate, and, where appropriate, terminate and replace the independent auditors. The Audit and Oversight Committee has appointed Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending December 31, 2021. The Audit and Oversight Committee believes that stockholder ratification of this matter is important considering the critical role the independent auditors play in maintaining the integrity of the Company's financial statements. If stockholders do not ratify the selection of Deloitte & Touche LLP, the Audit and Oversight Committee will reconsider the appointment.

Deloitte & Touche LLP has served as the independent auditors for the Company for the last 19 fiscal years beginning with the fiscal year ended December 31, 2002. The members of the Audit and Oversight Committee and the other members of the Board believe that the continued retention of Deloitte & Touche LLP to serve as the Company's independent external auditor is in the best interests of the Company and its stockholders.

Ratification of Deloitte & Touche LLP as the Company's independent auditors requires the affirmative vote of a majority of the votes cast in person or by proxy at the Meeting. Presuming a quorum is present, shares not voted, whether by abstention or otherwise, have no effect on the outcome of this matter.

Representatives of Deloitte & Touche LLP are expected to be present at the Meeting. They will have an opportunity to make a statement if they so desire and are expected to respond to appropriate questions that may be directed to them. Information concerning Deloitte & Touche LLP can be found in the following pages.

INDEPENDENT AUDITORS' FEES AND SERVICES

Pre-Approval Policy

The Audit and Oversight Committee has a formal policy delineating its responsibilities for reviewing and approving, in advance, all audit, audit-related, tax, and other services of the independent auditors. As such, the Audit and Oversight Committee is responsible for the audit fee negotiations associated with the Company's retention of independent auditors.

The Audit and Oversight Committee is committed to ensuring the independence of the auditors, both in appearance as well as in fact. In order to assure continuing auditor independence, the Audit and Oversight Committee periodically considers whether there should be a regular rotation of the independent external audit firm. In addition, the Audit and Oversight Committee is directly involved in the selection of Deloitte & Touche LLP's lead engagement partner.

Under the pre-approval policy, before engagement of the independent auditors for the next year's audit, the independent auditors will submit (1) a description of all services anticipated to be rendered, as well as an estimate of the fees for each of the services, for the Audit and Oversight Committee to approve, and (2) written confirmation that the performance of any non-audit services is permissible and will not impact the firm's independence. Annual pre-approval will be deemed effective for a period of twelve months from the date of pre-approval, unless the Audit and Oversight Committee specifically provides for a different period. A fee level will be established for all permissible, pre-approved non-audit services. Any additional audit service, audit-related service, tax service, and other service must also be pre-approved.

The Audit and Oversight Committee Chair is required to report any pre-approval decisions at the next scheduled Audit and Oversight Committee meeting. Under the pre-approval policy, the Audit and Oversight Committee may not delegate to management its responsibilities to pre-approve services performed by the independent auditors.

Under the pre-approval policy, prohibited non-audit services are services prohibited by the Securities and Exchange Commission or by the Public Company Accounting Oversight Board (United States) to be performed by the Company's independent auditors. These services include: bookkeeping or other services related to the accounting records or financial statements of the Company; financial information systems design and implementation; appraisal or valuation services; fairness opinions or contribution-in-kind reports; actuarial services; internal audit outsourcing services; management functions, or human resources, broker-dealer, investment advisor or investment banking services; legal services and expert services unrelated to the audit; services provided for a contingent fee or commission; and services related to planning, marketing, or opining in favor of the tax treatment of a confidential transaction or an aggressive tax position transaction that was initially recommended, directly or indirectly, by the independent auditors. In addition, the Audit and Oversight Committee has determined that the independent auditors may not provide any services, including personal financial counseling and tax services, to any officer or other employee of the Company who serves in a financial reporting oversight role or to the Audit and Oversight Committee Chair or to an immediate family member of these individuals, including spouses, spousal equivalents, and dependents.

Fee Table

The following table shows the fees, all of which were approved by the Audit and Oversight Committee, for professional audit services provided by Deloitte & Touche LLP for the audit of the annual financial statements of the Company and its subsidiaries for fiscal years 2020 and 2019, and fees for other services rendered during those periods. No fees were paid to Deloitte & Touche LLP pursuant to the "de minimus" exception to the pre-approval policy permitted under the Exchange Act.

	<u>2020</u>	<u>2019</u>
Audit Fees ⁽¹⁾	\$ 5,171,499	\$ 5,357,908
Audit-Related Fees ⁽²⁾	143,000	260,000
Tax Fees ⁽³⁾	74,094	31,500
All Other Fees ⁽⁴⁾	4,380	7,811
Total	<u>\$ 5,392,973</u>	<u>\$ 5,657,219</u>

⁽¹⁾ Audit Fees consist of fees for professional services rendered in connection with: (1) the audits of the annual financial statements of the Company and its subsidiaries, (2) the audits of the effectiveness of internal control over financial reporting, and (3) other non-recurring audit work. This category also includes reviews of financial statements included in Form 10-Q filings of the Company and its subsidiaries and services provided in connection with statutory and regulatory filings or engagements.

⁽²⁾ Audit-Related Fees consist of fees for professional services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees". This includes examination of forecasted financial statements in connection with rate case filings.

⁽³⁾ Tax Fees consist of fees for professional services rendered with respect to federal and state tax compliance and tax advice. This can include preparation of tax returns, claims for refunds, payment planning, and tax law interpretation.

⁽⁴⁾ All Other Fees consist of costs for certain employees to attend accounting/tax seminars hosted by Deloitte & Touche LLP plus the subscription cost for the use of a Deloitte & Touche LLP accounting research tool.

AUDIT AND OVERSIGHT COMMITTEE REPORT

The Audit and Oversight Committee, which is comprised solely of independent directors, oversees the integrity of the financial reporting process on behalf of the Board of WEC Energy Group, Inc. In addition, the Audit and Oversight Committee oversees compliance with legal and regulatory requirements. The Audit and Oversight Committee operates under a written charter approved by the Board, which can be found in the “Governance” section of the Company’s website at wecenergygroup.com.

The Audit and Oversight Committee is also directly responsible for the appointment, compensation, retention, and oversight of the Company’s independent auditors, as well as the oversight of the Company’s internal audit function.

In order to assure continuing auditor independence, the Audit and Oversight Committee periodically considers whether there should be a regular rotation of the independent external audit firm. For 2021, the Audit and Oversight Committee has appointed Deloitte & Touche LLP to remain as the Company’s independent auditors, subject to stockholder ratification. The members of the Audit and Oversight Committee and other members of the Board believe that the continued retention of Deloitte & Touche LLP to serve as the Company’s independent external auditor is in the best interests of the Company and its stockholders.

The Audit and Oversight Committee is directly involved in the selection of Deloitte & Touche LLP’s lead engagement partner in conjunction with a mandated rotation policy and is also responsible for audit fee negotiations with Deloitte & Touche LLP.

Management is responsible for the Company’s financial reporting process, the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and the system of internal controls and procedures designed to provide reasonable assurance regarding compliance with accounting standards and applicable laws and regulations. The Company’s independent auditors are responsible for performing an independent audit of the Company’s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the “PCAOB”) and issuing a report thereon.

The Audit and Oversight Committee held six meetings during 2020. Meetings are designed to facilitate and encourage open communication among the members of the Audit and Oversight Committee, management, the internal auditors, and the Company’s independent auditors, Deloitte & Touche LLP. During these meetings, we reviewed and discussed with management, among other items, the Company’s unaudited quarterly and audited annual financial statements and the system of internal controls designed to provide reasonable assurance regarding compliance with accounting standards and applicable laws.

We have reviewed and discussed with management and the Company’s independent auditors the Company’s audited consolidated financial statements and related footnotes for the fiscal year ended December 31, 2020, and the independent auditor’s report on those financial statements. Management represented to us that the Company’s financial statements were prepared in accordance with generally accepted accounting principles. Deloitte & Touche LLP presented the matters required to be discussed with the Audit and Oversight Committee by PCAOB Auditing Standard No. 1301, Communications with Audit Committees. This review included a discussion with management and the independent auditors about the quality of the Company’s accounting principles, the reasonableness of significant estimates and judgments, and the disclosures in the Company’s financial statements, as well as the disclosures relating to critical accounting policies and the auditor’s discussion about critical audit matters in its report on the audited consolidated financial statements.

In addition, we received the written disclosures and correspondence relative to the auditors’ independence from Deloitte & Touche LLP, as required by applicable requirements of the PCAOB regarding Deloitte & Touche LLP’s communications with the Audit and Oversight Committee concerning independence. The Audit and Oversight Committee discussed with Deloitte & Touche LLP its independence and also considered the compatibility of non-audit services provided by Deloitte & Touche LLP with maintaining its independence.

Based on these reviews and discussions, the Audit and Oversight Committee recommended to the Board that the audited financial statements be included in WEC Energy Group’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and filed with the Securities and Exchange Commission.

Respectfully submitted to WEC Energy Group stockholders by the Audit and Oversight Committee of the Board.

The Audit and Oversight Committee

Danny L. Cunningham, Committee Chair
Patricia W. Chadwick
Thomas J. Fischer
Maria C. Green
Henry W. Knueppel

PROPOSAL 3: APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE WEC ENERGY GROUP OMNIBUS STOCK INCENTIVE PLAN

What am I voting on?

Stockholders are being asked to vote to approve the amendment and restatement of the Company's Omnibus Stock Incentive Plan.

Voting Recommendation:

✓ **FOR the amendment and restatement of the Company's Omnibus Stock Incentive Plan.**

On March 1, 2021, upon the recommendation of the Compensation Committee, the Board of Directors (the "Board") adopted, subject to stockholder approval, the WEC Energy Group Omnibus Stock Incentive Plan (the "OSIP"), amended and restated to reflect the amendments discussed below under "Proposed Amendments." A copy of the OSIP, as proposed to be amended and restated, is attached to this proxy statement as Appendix A. The Board further directed that the amendment and restatement of the OSIP be submitted to the stockholders of the Company for consideration at the Meeting and the Board recommends that stockholders approve the amendment and restatement of the OSIP.

The OSIP was last approved by the Company's stockholders at the 2011 annual meeting of stockholders. Awards may not be made under the OSIP more than 10 years after the receipt of such approval, or May 5, 2021. Therefore, stockholder approval is needed to extend the OSIP.

The OSIP is designed to link the interests of executives and other key employees to long-term stockholder value. The purpose of the OSIP is to enable the Company to offer directors, officers and key employees of the Company and its subsidiaries performance-based incentives and other equity interests in the Company to attract, retain and reward such individuals, and to strengthen the mutuality of interest between these individuals and the Company's stockholders.

The OSIP allows for the grant of certain types of awards, including stock options, stock appreciation rights, stock awards, performance units, restricted stock units and dividend equivalents, as the Committee in its discretion determines. The OSIP is being submitted to stockholders for approval in order to comply with the applicable requirements of the New York Stock Exchange and to qualify under the federal income tax rules with respect to the qualification of incentive stock options. Awards under the OSIP that remain outstanding as of the 2021 Annual Meeting of Stockholders will remain outstanding in accordance with their terms.

In order to allow the Company to continue to effectively utilize long-term equity incentive compensation, the Board of Directors (the "Board") is asking stockholders to vote on and approve the amendment and restatement of the OSIP. The Board believes linking the interests of management and stockholders is in the best interest of the Company's stockholders. In addition, the Board believes a sufficient reserve of shares is critical to provide the Company the flexibility to attract and retain officers and key employees. If stockholder approval is not obtained, the Company will not be able to award long-term equity incentive compensation to management and will need to reward management for achieving the Company's goals using other forms of compensation.

Any capitalized terms not defined herein are defined in the proposed amended and restated OSIP.

Key Stockholder Friendly Provisions of the OSIP

The Company has designed the OSIP, inclusive of the changes described below under "Proposed Amendments", to include features that the Company believes are consistent with best practices and in the interests of stockholders. These features include, but are not limited to, the following:

- **No Evergreen Provision.** There is no "evergreen" feature pursuant to which the shares authorized for issuance under the OSIP can be automatically replenished.
- **No Automatic Grants.** The OSIP does not provide for "reload" or automatic grants to participants and all grants must be approved by the Compensation Committee, which is composed entirely of independent directors.
- **Double-Trigger Acceleration Following a Change in Control.** If the amendment and restatement proposed herein is approved, the OSIP will provide a double-trigger change in control provision for all awards granted after May 6, 2021, such that awards will only forward vest if there is both (i) a change in control, as defined under the OSIP, and (2) the award holder's employment is terminated by the Company without Cause or by the participant for Good Reason within twenty-four (24) months following the change in control.
- **No Liberal Share Recycling of Awards.** Shares tendered in payment of an award's exercise price, shares withheld to pay taxes due on an award, and shares purchased by the Company using proceeds from awards will not increase the total number of remaining shares authorized to be delivered pursuant to awards under the OSIP.
- **Minimum Vesting Requirements.** It is proposed that any awards granted after May 6, 2021 will be subject to a minimum vesting period of at least one year commencing on the date of grant, subject to limited exceptions.
- **No Tax Gross-Ups.** The OSIP does not provide for any tax gross-ups.
- **No Repricing Stock Options without Stockholder Approval.** Repricing of stock options or stock appreciation rights, or substitution of cash for underwater options or stock appreciation rights, is prohibited unless stockholder approval is obtained.

- **Stock Options and SARs cannot be Granted at Less Than Fair Market Value.** Stock options and stock appreciation rights must be granted with an exercise price that is not less than 100% of the fair market value on the date of grant.
- **Annual Award Limits.** The OSIP sets limits on awards that can be made to any individual in any calendar year.
- **Term Limits.** No award under the OSIP can be outstanding for more than ten years.

Burn Rate

Our three-year average burn rate was 0.34% for fiscal years 2018 through 2020, calculated by dividing the total number of shares subject to awards granted to participants in each year (with full value share awards counted on a 4.23-to-1 basis) by the weighted average number of common shares outstanding at year end. The Company currently uses open-market purchases to satisfy its obligations under the OSIP and other benefit plans, which avoids diluting the interests of stockholders.

Proposed Amendments

The material changes to the OSIP are set forth below.

Extension of OSIP. Because awards may not be made under the OSIP after May 5, 2021, it is proposed that the OSIP be amended to extend the expiration date to ten years after the approval of these proposed amendments, or May 6, 2031.

Shares Available. As of February 25, 2021 (the “Calculation Date”), there were 3,406,627 shares of common stock of the Company subject to outstanding awards under the OSIP, and 23,866,462 shares available for future awards to be granted under the OSIP. It is proposed that the number of shares reserved for issuance under the OSIP as of the date the OSIP is amended be (1) 9,000,000 shares of common stock (less: (i) the number of shares subject to each option or stock appreciation right granted after the Calculation Date; plus (ii) each full share award granted after the Calculation Date times 4.23) to be available for future awards under the OSIP, plus (2) the number of shares that are subject to outstanding awards under the OSIP as of the date the OSIP is amended. As a result, the proposed amendment to the OSIP will result in a reduction in the number of shares available for future awards under the OSIP. In making this determination, management and the Compensation Committee evaluated share usage, dilution, burn rate, and the existing terms of outstanding equity awards.

Double-Trigger Change in Control. Currently, under the OSIP, in the event of a change in control (as defined in the OSIP) of the Company, all outstanding stock options and stock appreciation rights become immediately exercisable and all other awards immediately vest with all performance goals deemed fully achieved. It is proposed that, with respect to all future awards granted under the OSIP, if a participant’s employment is terminated without Cause or by the participant for Good Reason, in either case within twenty-four months following a change in control of the Company, all outstanding stock options and stock appreciation rights shall become immediately exercisable and all other awards will immediately vest with all performance goals deemed fully achieved at 100% target levels.

Minimum Vesting Period. It is proposed that any future award under the OSIP will be subject to a minimum vesting period of at least one year commencing on the date of grant; provided, however, (i) the Committee may award benefits in the aggregate covering up to 5% of the total number of shares of common stock of the Company authorized under the OSIP without regard to the foregoing minimum vesting period, (ii) the Committee, or an award agreement, may accelerate the date on which all or any portion of an award under the OSIP may be vested upon a participant’s death, Disability or Retirement, and (iii) the foregoing minimum vesting period shall not apply upon a participant’s termination of service without Cause or for Good Reason within twenty-four (24) months following a Change in Control.

Minimum Holding Period. With respect to all future awards under the OSIP, it is proposed that any restricted stock awarded under the OSIP to an officer subject to Section 16 of the Exchange Act will be subject to a minimum holding period of at least one year following the vesting date. However, such minimum holding period will terminate upon the officer’s termination of employment and will not apply to shares of common stock that the officer tenders for purposes of the payment of taxes arising in connection with the vesting of the award.

Removal of 162(m) Language. The OSIP currently contains provisions related to Section 162(m) of the Internal Revenue Code (the “Code”). Section 162(m) limits the deductibility of certain executives’ compensation that exceeds \$1,000,000 per year. For tax years prior to 2018, compensation over \$1,000,000 per year could be deducted by the Company if such compensation was performance-based under Section 162(m) and issued through a plan that had been approved by stockholders. Starting with compensation awarded in 2018, the Tax Cuts and Jobs Act of 2017 eliminated the performance-based compensation exception under Section 162(m) for compensation over \$1,000,000. Therefore, these provisions in the OSIP are no longer necessary.

Awards Granted under the OSIP

No awards made under the OSIP prior to the 2021 Annual Meeting of Stockholders were granted subject to stockholder approval of this proposal. The number and types of awards that will be granted under the OSIP in the future are not determinable, as the Compensation Committee will make these determinations in its sole discretion.

The following table sets forth information with respect to the number of shares subject to option awards previously granted under the OSIP from May 5, 2011 (the last date of stockholder approval) through February 25, 2021 (our record date) to each NEO and the specific groups set forth below. This table includes shares subject to awards that may have been exercised, cancelled or forfeited. On February 25, 2021, the closing price of the underlying shares of the Company's common stock traded on the NYSE was \$81.78 per share.

Name and Principal Position	Stock Options*
J. Kevin Fletcher - President and Chief Executive Officer	313,351
Xia Liu - Executive Vice President and CFO	74,535
Scott J. Lauber - Senior Executive Vice President and COO	190,782
Gale E. Klappa - Executive Chairman	1,642,079
Margaret C. Kelsey - Executive Vice President, General Counsel and Corporate Secretary	80,076
Robert M. Garvin - Executive Vice President - External Affairs	184,516
Frederick D. Kuester - Senior Executive Vice President**	267,265
All executive officers as a group	2,866,151
All non-executive directors as a group	-
All nominees for election as directors as a group	-
Each associate of the above-mentioned directors or executive officers	-
Each other person who received or is to receive 5% of such options, warrants or rights	-
All current and former employees as a group (excluding current executive officers)	4,526,467

*This table does not reflect restricted stock that these individuals have been granted.

**Retired effective July 1, 2020.

Summary of Remaining Material Terms of the OSIP

The following summary of the material terms of the OSIP is not complete and is subject to, and qualified in its entirety by reference to, the full text of the OSIP, which is attached to this proxy statement as Appendix A. We encourage you to carefully read the full text of the OSIP in its entirety.

Administration of the OSIP. The OSIP provides for administration by a committee (the "Committee"), to be comprised of either the Compensation Committee of the Board or another committee designated by the Board consisting of directors who are not employees of the Company. The Compensation Committee currently administers the OSIP. Among the Committee's powers are the authority to interpret the OSIP, establish rules and regulations for its operation, select directors, officers and other key employees of the Company and its subsidiaries to receive awards, and determine the form, amount and other terms and conditions of awards. The Committee also has the power, with the participant's consent as to benefits already granted, to modify awards.

Eligibility for Participation. Directors, officers and other key employees of the Company or any of its subsidiaries are eligible to participate in the OSIP. The selection of participants is within the discretion of the Committee. Currently, 186 individuals participate in the plan. In addition to the directors and named executive officers identified in this proxy statement, the participant group is comprised of 6 executive officers and 162 non-executive officers and other employees of the Company.

Shares Available. When issuing any full share awards such as restricted stock, each full share award decreases the shares available for issuance under the OSIP by 4.23 shares, and each stock option or stand-alone stock appreciation right decreases the available shares by one share. If there is a lapse, expiration, termination or cancellation of any award prior to the issuance of shares thereunder or if shares are issued and thereafter are reacquired by the Company pursuant to rights reserved upon issuance thereof, those shares may again be used for new awards under the OSIP. However, in the case of a lapse, expiration, termination or cancellation of a stock award, or award of restricted stock units, the number of shares that may be used for new awards will be the same number by which the number of available shares was reduced when the award was granted taking into account the 4.23 multiplier. In addition, shares that are not issued or are reacquired because the Committee elects to settle an award in cash, or that are used to pay the exercise price or tax withholding obligation on an award, will not again be available for new awards.

Limitation on Number of Awards. A participant may not receive awards in any calendar year that exceed (a) in the case of stock options and stand-alone stock appreciation rights, 750,000 shares, and (b) in the case of stock awards, performance units and restricted stock units, 750,000 shares (determined prior to the 4.23 multiplier). Each of these limits is applied separately. In the case of a performance-based award that provides for a target number of shares and also provides that a larger number of shares (not exceeding twice the target) may be granted if the performance criteria are exceeded, these limits will be based on the target award.

Types of Awards. The OSIP allows for the award of stock options, stock appreciation rights, stock awards, performance units, restricted stock units and dividend equivalents. Awards may be granted singly, in combination, or in tandem as determined by the Committee. Awards under the OSIP may be settled in cash, common stock, or a combination of cash and common stock.

Stock Options. Under the OSIP, the Committee may grant awards in the form of options to purchase shares of the Company's common stock, which may be either incentive stock options or non-qualified stock options. The Committee will, with regard to each such stock option, determine the number of shares subject to the option, the manner and time of the option's exercisability and vesting, and the exercise price per share of stock subject to the option. The exercise price of a stock option will not be less than 100 percent of the fair market value of the common stock on the date the option is granted. No option will be exercisable prior to six months after the option grant date, unless accelerated upon a "change in control" as defined in the OSIP, and the maximum term will be ten years. The exercise price may be paid in cash or, in the discretion of the Committee, by delivering shares of common stock owned by the participant, by reducing the number of shares delivered upon exercise, by broker-assisted cashless exercise, or by any combination of these methods.

Stock Appreciation Rights. The OSIP authorizes the Committee to grant a stock appreciation right in tandem with any stock option granted under the plan or to a participant separate from any stock options granted to such participant. A stock appreciation right granted in tandem with a stock option permits the participant to receive, upon surrender of the related exercisable option, a payment equal to the spread between the exercise price and the current market value of the shares covered by the surrendered option.

Stand-alone stock appreciation rights awarded under the OSIP will specify the exercise price, which will not be less than the fair market value of a share of the Company's common stock on the grant date, the time of exercisability and such other terms and conditions as the Committee may determine. No stand-alone stock appreciation right will be exercisable prior to six months after the date of grant, unless accelerated upon a "change in control" as defined in the OSIP, and the maximum term will be ten years. Upon exercise of all or a portion of a stand-alone stock appreciation right, the participant will receive a payment equal to the spread between the exercise price and the current market value of the shares covered by the surrendered stock appreciation right.

The Committee may, in its discretion, deliver shares of the Company's common stock in lieu of cash to satisfy the exercise of a stock appreciation right.

Stock Awards. The OSIP authorizes the Committee to grant awards in the form of restricted or unrestricted shares of common stock. Such awards will be subject to such terms, conditions and restrictions, if any, as the Committee deems appropriate including, but not limited to, continued employment and achievement of performance goals established by the Committee over a designated period of time.

Performance Units. The OSIP allows for the award of performance units consisting of monetary units granted to participants which may be earned in whole or in part if the Company achieves certain performance goals established by the Committee over a designated period of time.

Restricted Stock Units. The OSIP allows for the award of restricted stock units, which consist of the right to receive a specified number of shares of the Company's common stock upon the satisfaction of certain conditions specified by the Committee.

Dividend Equivalents. The OSIP authorizes the Committee to grant dividend equivalents. Dividend equivalents consist of the award to a participant, in connection with the award of a stock option, stand-alone stock appreciation right, performance unit or restricted stock unit, of a cash payment equal to all or a portion of the dividends that the participant would have received had he or she owned the number of shares of stock subject to the award on the record date for dividends paid by the Company. Dividend equivalents may be granted either at the same time as the underlying award or at any time while the award is outstanding, and will be subject to such terms and conditions as the Committee may determine. If the underlying award is conditioned upon the achievement of performance goals, receipt of the dividend equivalent payments must also be conditioned upon achievement of a performance goal (which does not need to be the same goal as for the underlying award). Payment of dividend equivalents granted with respect to a stock option or stand-alone stock appreciation right will not be conditioned upon a participant's exercise of the underlying option or stock appreciation right.

Performance Goals. Vesting or settlement of any award may be conditioned upon the achievement of such performance goals as the Committee determines, which may include a number of metrics, as listed in the OSIP. The performance goal(s) established by the Committee may provide for adjustments and may include or exclude items as may be deemed appropriate by the Committee.

Non-transferability. Awards granted under the OSIP are not transferable for value or consideration other than by will or the law of descent and distribution, and each stock option and stock appreciation right is only exercisable during the participant's lifetime by the participant or the participant's legal guardian.

Compliance with Section 409A. The OSIP incorporates provisions to ensure that the plan and any award made thereunder is in compliance with Section 409A of the Code, including all related Treasury regulations.

Adjustment Provisions. The OSIP contains provisions for equitable adjustment of awards without new consideration to the Company in the event of merger, consolidation, reorganization or recapitalization, stock dividend, stock split, share conversion or any other similar type of event as the Committee may determine in its sole discretion.

Term, Amendment and Termination of the OSIP. No award shall be made more than ten years after May 6, 2021, the date of approval of the OSIP by the Company's stockholders. The Board reserves the right to amend or terminate the OSIP at any time, subject to the rights of participants with respect to any outstanding awards.

Amendment, Modification and Cancellation of Awards. The terms and conditions applicable to any awards granted prior to expiration of the term of the OSIP may be amended, modified or canceled by the Committee at any time, or the Committee may waive any conditions to the vesting or settlement of any such awards. However, except as otherwise provided in the OSIP or an award agreement, or as the Committee determines to be necessary to satisfy any applicable law, the Committee will not cancel any outstanding award, or amend or modify any outstanding award, in a manner that is materially adverse to the participant without the prior written consent of such participant. In addition, the Company will not, without stockholder approval, amend the terms of outstanding awards to reduce the exercise price of outstanding options or stock appreciation rights or cancel outstanding options or stock appreciation rights in exchange for cash or other awards or options or stock appreciation rights with an exercise price that is less than the exercise price of the original options or stock appreciation rights.

Clawback. The OSIP provides that, to the extent determined by the Committee, any award under the OSIP to an executive officer may include provisions requiring its forfeiture and/or recoupment if such award or any portion thereof either (i) was granted, vested and/or settled based on financial results that were subsequently restated in any material respect due to conduct by the participant that was knowing, intentionally fraudulent or illegal as determined by a committee of independent directors, or (ii) the value of such award was affected by the financial results that were subsequently restated in any material respect, or a forfeiture or recoupment is otherwise required by law or exchange listing requirements.

Federal Tax Treatment. Under current law, the following are the U. S. federal income tax consequences generally arising with respect to awards under the OSIP.

An employee participant who is granted an incentive stock option within the meaning of Section 422 of the Code does not recognize any taxable income at the time of the grant or at the time of exercise. Similarly, the Company is not entitled to any deduction at the time of grant or at the time of exercise. If the participant makes no disposition of the shares acquired pursuant to an incentive stock option before the later of two years from the date of grant and one year from the date of exercise, any gain or loss realized on a subsequent disposition of the shares will be treated as a long-term capital gain or loss.

Under such circumstances, the Company will not be entitled to any deduction for federal income tax purposes. If the foregoing holding period requirements are not met, the participant will generally realize ordinary income and the Company will have a corresponding deduction at the time of disposition of the shares equal to the excess of the market value of the shares on the date of exercise over the exercise price. However, if the disposition of the shares is a taxable sale (as opposed to a gift or other form of non-taxable disposition), the amount of ordinary income realized will not exceed the excess of the amount realized on the disposition of the shares over the exercise price.

A participant who is granted a non-qualified stock option will not have taxable income at the time of grant, but will have taxable income at the time of exercise equal to the difference between the exercise price of the shares and the market value of the shares on the date of exercise. The Company is entitled to a tax deduction at that time for the same amount.

The grant of a stock appreciation right will produce no U. S. federal income tax consequences for the participant or the Company. The exercise of a stock appreciation right results in taxable income to the participant, equal to the difference between the exercise price of the stand-alone stock appreciation right or related option shares, as applicable, and the market price of the shares on the date of exercise, and a corresponding tax deduction to the Company.

A participant who has been granted performance units will not realize taxable income at the time of the grant, and the Company will not be entitled to a tax deduction at such time. A participant will realize ordinary income at the time the award is paid equal to the amount of cash paid or the fair market value of stock received, and the Company will have a corresponding tax deduction.

A participant who has been granted an award of restricted shares of common stock or restricted stock units will not realize taxable income at the time of the grant, and the Company will not be entitled to a tax deduction at the time of the grant, unless, in the case of an award of restricted shares, the participant makes an election to be taxed at the time of the grant. When the restrictions lapse (if the participant did not elect to be taxed at the time of grant), or upon a grant of unrestricted shares or transfer of shares in settlement of restricted stock units under the OSIP, the participant will recognize taxable income in an amount equal to the fair market value of the shares at such time. The Company will be entitled to a corresponding tax deduction.

A participant who has been granted dividend equivalents will not realize taxable income at the time of the grant, and the Company will not be entitled to a tax deduction at such time. A participant will realize ordinary income at the time the award is paid equal to the amount of cash paid or the fair market value of stock received, and the Company will have a corresponding tax deduction.

Section 409A of the Code provides that participants in a covered non-qualified deferred compensation arrangement will be subject to accelerated taxation and penalties unless the covered plan, both as designed and administered, satisfies specified requirements, including limitations on the timing of deferral and distribution elections, if any, and triggers for the distribution or funding of deferred amounts. Section 409A may become applicable to certain types of awards under the OSIP (other than incentive stock options and restricted stock) depending on the terms and conditions to which the award is subject. The Board believes that the terms of the OSIP, as such, should not cause awards under the OSIP to violate the requirements of Section 409A.

Other Terms of the Awards. Upon the grant of any award, the Committee may, by way of an award notice or otherwise, establish such other terms, conditions and restrictions covering the grant of the award as are not inconsistent with the OSIP.

Equity Compensation Plan Information. The following table summarizes the ability of WEC to issue common stock pursuant to equity compensation plans as of December 31, 2020:

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	2,887,460 ⁽¹⁾	\$64.13	24,691,825 ⁽²⁾
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,887,460	\$64.13	24,691,825⁽³⁾

⁽¹⁾ Represents options to purchase the Company's common stock granted under the OSIP.

⁽²⁾ Includes shares available for future issuance under the OSIP, all of which could be granted as awards of stock options, stock appreciation rights, performance units, restricted stock, or other stock based awards.

⁽³⁾ If the OSIP is amended and restated as proposed herein, the number of shares remaining available for future issuance will be reduced.

PROPOSAL 4: ADVISORY VOTE TO APPROVE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

What am I voting on?

Stockholders are being asked to approve, on an advisory basis, the compensation of the Named Executive Officers, as described in the Compensation Discussion and Analysis beginning on page P-44 and the Executive Compensation Tables beginning on page P-58.

Voting Recommendation:

✓ **FOR the advisory vote on Executive Compensation.**

The Compensation Committee takes seriously its role in the governance of the Company's compensation programs and values thoughtful input from stockholders. The Compensation Committee will take into account the outcome of this advisory vote when considering future executive compensation decisions.

Pursuant to Section 14A of the Exchange Act, the Company seeks your advisory vote on the approval of the compensation paid to our named executive officers (commonly referred to as "Say-on-Pay") as described in the Compensation Discussion and Analysis and the related tables included in this proxy statement. Approval, on a non-binding, advisory basis, of the compensation of the named executive officers requires the affirmative vote of a majority of the votes cast in person or by proxy at the 2021 Annual Meeting of Stockholders. Presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect on the outcome of this matter. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Compensation Committee will review the voting results and take them into consideration when making future decisions regarding executive compensation.

As described in the Compensation Discussion and Analysis on pages P-44 through P-57 of this proxy statement, the Compensation Committee has structured the Company's executive compensation program with the following objectives in mind:

- offer a competitive, performance-based plan;
- enable the Company to attract and retain key individuals;
- reward achievement of the Company's short-term and long-term goals; and
- align with the interests of the Company's stockholders and customers.

As described in this proxy statement, the Company believes that the compensation paid to our named executed officers in 2020 was well-tailored to achieve these objectives, tying a significant portion of total pay to performance and aligning the interests of the named executed officers with those of stockholders and customers. We encourage you to carefully review the Compensation Discussion and Analysis and related tables included in this proxy statement, which describe in greater detail WEC Energy Group's compensation philosophy and programs, as well as the 2020 compensation levels, in connection with approval of the following resolution:

"RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to the Company's named executive officers as disclosed in the Proxy Statement for the 2021 Annual Meeting of Stockholders."

Compensation Discussion and Analysis

The following discussion provides an overview and analysis of our executive compensation program, including the role of the Compensation Committee of our Board, the elements of our executive compensation program, the purposes and objectives of these elements, and the manner in which we established the compensation of our named executive officers ("NEOs") for fiscal year 2020.

References to "we," "us," "our," "Company," and "WEC Energy Group" in this discussion and analysis mean WEC Energy Group, Inc. and its management, as applicable.

EXECUTIVE SUMMARY

Overview

The primary objective of our executive compensation program is to provide a competitive, performance-based plan that enables the Company to attract and retain key individuals and to reward them for achieving both the Company's short-term and long-term goals without creating an incentive for our NEOs to take excessive risks. Our program has been designed to provide a level of compensation that is strongly dependent upon the achievement of short-term and long-term goals that are aligned with the interests of our stockholders and customers. To that end, a substantial portion of pay is at risk, and generally, the value will only be realized upon strong corporate performance.

We also value the input of our stockholders and recognize the increasing investor desire for companies to link environmental, social and governance factors to compensation. Environmental, social and governance initiatives are firmly entrenched in our executive compensation program. In fact, since 2004 our performance metrics have included customer satisfaction, supplier and workforce diversity, and safety.

Response to COVID-19 Pandemic. Like other businesses, WEC Energy Group and its employees and customers were impacted by the COVID-19 pandemic. We have taken precautions with regard to employee hygiene and facility cleanliness, imposed travel limitations on our employees, provided additional employee benefits, and implemented remote work policies where appropriate. Additional protocols were also implemented for our field employees who travel to customer premises in order to protect them, our customers, and the public. We also engaged in certain initiatives to maintain our liquidity and the financial health of the Company. Our focus on financial discipline allowed us to reduce costs responsibly during the economic downturn — resulting in the highest net income and earnings per share in Company history. Our management team worked strategically to navigate the pandemic and the challenges of leading a business and our employees while working remotely and, as a result of their efforts and the efforts of our organization, we ended 2020 in a strong position.

2020 Business Highlights

During 2020 the Company achieved solid results and continued to create long-term value for our stockholders and customers by focusing on the fundamentals of our business:

- World-class reliability
- Operating efficiency
- Employee safety
- Financial discipline
- Exceptional customer care
- Environmental Stewardship

Commitment to Stockholder Value Creation. Financially, WEC Energy Group again delivered solid earnings growth, generated strong cash flow, and increased the dividend for the 17th consecutive year. In January 2020, the Board raised the quarterly dividend 7.2% to \$0.6325 per share, equivalent to an annual rate of \$2.53 per share. In January 2021, the Board again increased the quarterly dividend 7.1% to \$0.6775 per share, which is equivalent to an annual rate of \$2.71 per share, in line with our plan to maintain a dividend payout ratio of 65% to 70% of earnings. The Company also turned in strong performances in customer satisfaction, supplier and workforce diversity and network reliability during 2020.

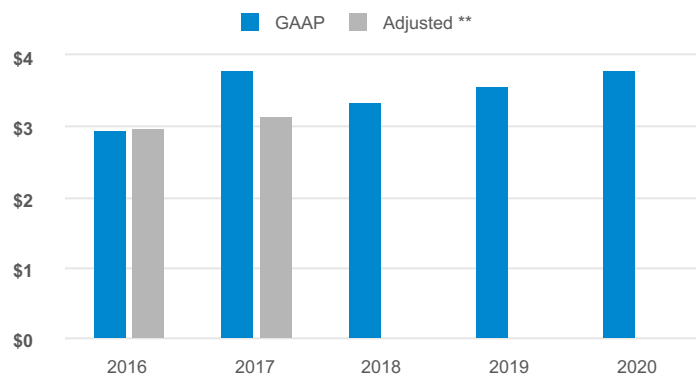
ESG Progress Plan. In November 2020, we announced our 2021-2025 capital investment plan for efficiency, sustainability and growth, referred to as our ESG Progress Plan, to cut emissions, maintain superior reliability, deliver significant savings for customers and grow our investment in the future of energy. Our ESG Progress Plan calls for planned investments of \$16.1 billion over the five-year period in our regulated and non-utility energy infrastructure businesses, including more than \$4 billion of new renewable investment. We have already retired more than 1,800 megawatts (MW) of coal-fired generation since the beginning of 2018, and expect to retire approximately 1,800 MW of additional fossil-fueled generation by 2025.

Other specific Company achievements for 2020 include:

2020 Financial Highlights

- Achieved diluted earnings per share of \$3.79.*
- Each of our regulated utility subsidiaries achieved its financial goals.
- Returned approximately \$798 million to WEC Energy Group stockholders through dividends.
- Set 14 new trading highs during 2020, trading at an all-time high of \$109.53 on March 17, 2020.

Diluted Earnings Per Share



** For 2017, excludes a one-time \$0.65 per share gain related to a revaluation of our deferred taxes as a result of the Tax Cuts and Jobs Act of 2017. For 2016, excludes costs of \$0.01 per share, related to our acquisition of Integrys Energy Group. See Appendix B on P-87 for a full GAAP reconciliation and an explanation of why we believe the presentation of adjusted earnings per share is relevant and useful to investors.

2020 Performance Highlights

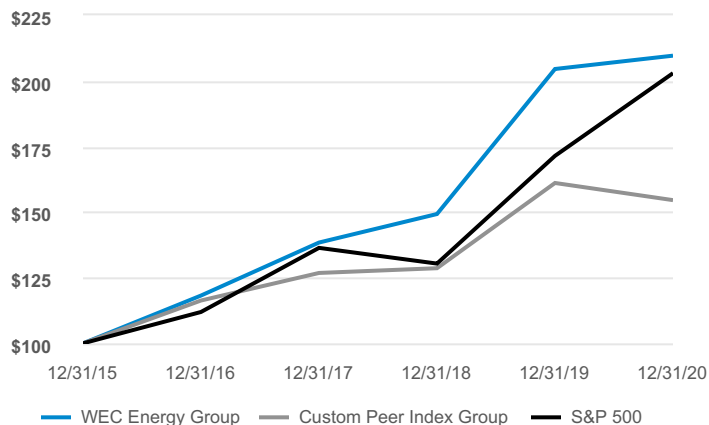
- PA Consulting Group named We Energies the most reliable utility in the Midwest for the tenth year in a row.
- Named as one of America's most responsible companies by Newsweek Magazine.
- Began commercial operation of Wisconsin's first large scale solar farm, Two Creeks Solar Park, of which Wisconsin Public Service Corporation is entitled to 100 MW.
- Announced new carbon dioxide emission reduction goals from our electric generation - 55% below 2005 levels by 2025; 70% below 2005 levels by 2030; and net carbon neutral by 2050.
- Strengthened the diversity of our leadership team.*
- Peoples Gas Light and Coke Company ("PGL") was named the most improved brand in customer satisfaction among natural gas utilities in the J.D. Power 2020 Gas Utility Business Customer Satisfaction Study.
- Spent a record \$303 million with qualified minority-, women-, service-disabled- and veteran-owned businesses, the highest spending with diverse suppliers in the Company's history.*
- PGL was named as a 2020 Most Trusted Utility Brand by the Cogent Syndicated Utility Trusted Brand & Customer Engagement study.

* This measure is a component of our short-term incentive compensation program.

Long-Term Stockholder Returns

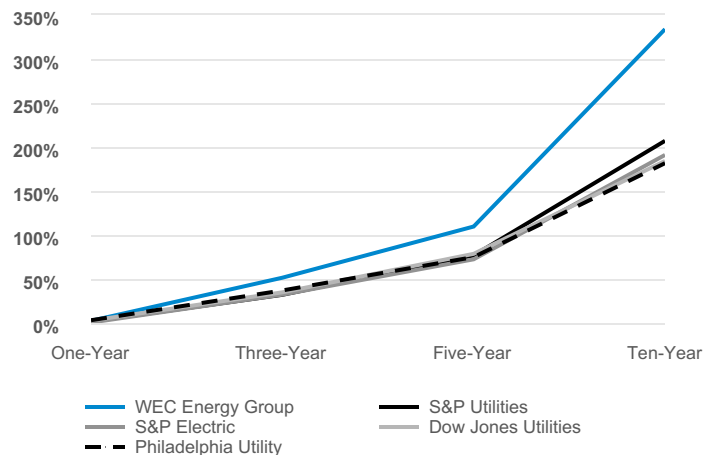
Over the past decade, WEC Energy Group has consistently delivered among the best total returns in the industry and did so again in 2020.

Five-Year Cumulative Return***



*** The Five-Year Cumulative Return Chart shows a comparison of the cumulative total return, assuming reinvestment of dividends, over the last five years had \$100 been invested at the close of business on December 31, 2015. For information about the Custom Peer Index Group, see "Performance Graph" in the Company's 2020 Annual Report.

Total Stockholder Returns



Source: Bloomberg; assumes all dividends are reinvested and returns are compounded daily.

Consideration of 2020 Stockholder Advisory Vote and Stockholder Outreach

At the 2020 Annual Meeting of Stockholders, the Company's stockholders approved the compensation of our named executive officers with 95.5% of the votes cast. The Compensation Committee considered this outcome as well as the feedback received during meetings we again held with many of our institutional stockholders. During 2020, we communicated with stockholders representing approximately 37% of the Company's outstanding common stock about our environmental, social, governance and compensation practices. The Compensation Committee is always looking for ways to refine our compensation program. However, in light of the significant stockholder support our executive compensation program received in 2020 and the payout levels under our performance-based program for 2020, the Compensation Committee believes that the current compensation program is competitive, aligned with our financial and operational performance goals, and in the best interests of the Company, stockholders, and customers.

Departure of Executive Officer

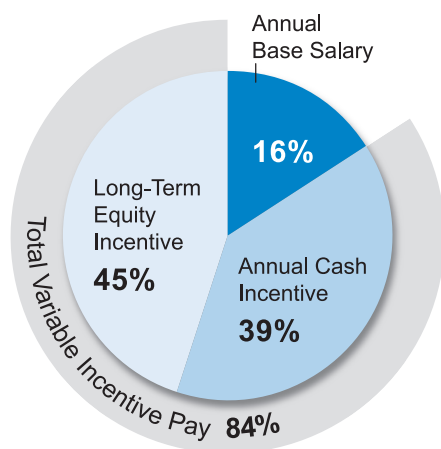
As previously disclosed, Mr. Kuester, Senior Executive Vice President, retired from the Company effective July 1, 2020. The Company entered into a Consulting Agreement with Mr. Kuester, which was effective July 2, 2020 (the "Consulting Agreement"), pursuant to which, Mr. Kuester is consulting for the Company on capital project planning and execution and enterprise risk management matters.

COMPONENTS OF OUR EXECUTIVE COMPENSATION PROGRAM

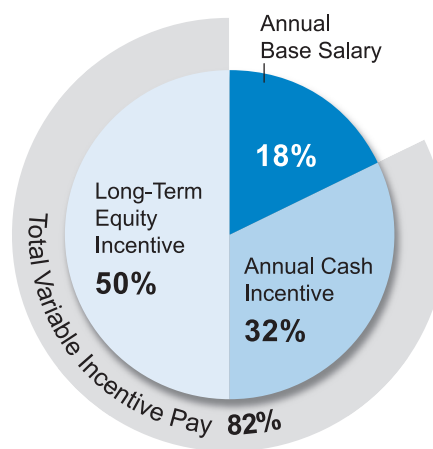
We have three primary elements of total direct compensation: (1) base salary; (2) annual incentive awards; and (3) long-term incentive awards consisting of a mix of performance units, stock options, and restricted stock. The Compensation Committee again retained Frederic W. Cook & Co., Inc. ("FW Cook") as its independent compensation consultant to advise the Compensation Committee with respect to our executive compensation program. The Compensation Committee generally relied upon the recommendations of FW Cook as it developed the 2020 program.

As shown in the charts below, 84% of Mr. Fletcher's 2020 total direct compensation and an average of 82% of the other NEOs' 2020 total direct compensation was tied to Company performance and was not guaranteed.

CEO 2020 Total Direct Compensation Mix



Other NEOs 2020 Total Direct Compensation Mix



In addition to the components of total direct compensation identified above, our retirement programs are another important component of our compensation program.

To the extent feasible, we believe it is important that the Company's compensation program not dilute the interests of current stockholders. Therefore, we currently use open-market purchases to satisfy our benefit plan obligations, including the exercise of stock options and awarding of restricted stock.

This Compensation Discussion and Analysis contains a more detailed discussion of each of the above components for 2020, including FW Cook's recommendations with respect to each component.

Compensation Governance and Practices

The Compensation Committee annually reviews and considers the Company's compensation policies and practices to ensure our executive compensation program aligns with our compensation philosophy. Highlighted below is an overview of our current compensation practices.

What We Do

- Our compensation program focuses on key Company results (financial, safety, customer satisfaction, diversity) that are aligned with our strategic goals.
- A substantial portion of compensation is at risk and tied to Company performance.
- The compensation program has a long-term orientation aligned with stockholder interests.
- We include environmental, social and governance metrics in our compensation program.
- The Compensation Committee retains an independent compensation consultant to help design the Company's compensation program and determine competitive levels of pay.
- The Compensation Committee's independent compensation consultant reviews competitive employment market data from two general industry surveys and a comparison group of companies similar to WEC Energy Group.
- We have a clawback policy that provides for the recoupment of incentive-based compensation.
- Annual incentive-based compensation contains multiple, pre-established performance metrics aligned with stockholder and customer interests.
- The Performance Unit Plan award payouts (including dividend equivalents) are based on stockholder return as compared to an appropriate peer group and Additional Performance Measure(s), selected by the Compensation Committee.
- The Performance Unit Plan requires a separation from service following a change in control for award vesting to occur.
- Equity award and other benefit plan obligations are satisfied through open-market purchases of WEC Energy Group common stock.
- Meaningful stock ownership levels are required for senior executives.
- Ongoing engagement with investors takes place to ensure that compensation practices are responsive to stockholder interests.
- We prohibit hedging and pledging of WEC Energy Group common stock.
- We prohibit entry into any new arrangements that obligate the Company to pay directly or reimburse individual tax liability for benefits provided by the Company.
- We prohibit repricing of stock options without stockholder approval.

Competitive Benchmarking

As a general matter, we believe the labor market for WEC Energy Group executive officers is consistent with that of general industry. Although we recognize our business is focused on the energy services industry, our goal is to have an executive compensation program that will allow us to be competitive in recruiting the most qualified candidates to serve as executive officers of the Company, including individuals who may be employed outside of the energy services industry. Further, in order to retain top performing executive officers, we believe our compensation practices must be competitive with those of general industry.

To confirm that our annual executive compensation is competitive with the market, FW Cook reviewed 2020 general industry executive compensation survey data obtained from Willis Towers Watson and Aon Hewitt. FW Cook also analyzed the compensation data from a peer group of 18 companies similar to WEC Energy Group in size and business model. The methodology used by FW Cook to determine the peer group of companies is described below.

FW Cook started with U.S. companies in the Standard & Poor's database, and then limited those companies to the same line of business as WEC Energy Group as indicated by the Global Industry Classification Standards. This list of companies was then further limited to companies with revenues between \$2.6 billion and \$24 billion (approximately one-third to three times the size of WEC Energy Group's revenues), and that were within a reasonable size range in various other measures such as operating income, total assets, total employees, and market capitalization. From this list, FW Cook selected companies similar in overall size to WEC Energy Group with consideration given to companies that met one or more of the following criteria:

- Diversified, technically sophisticated utility operations (e.g., multiple utilities, electric utilities);
- Minimal non-regulated business; and/or
- Operates in the Midwest.

These criteria resulted in a comparison group of 18 companies with median revenues and market capitalization of approximately \$10.9 billion and \$21 billion, respectively.

The comparison group utilized for purposes of 2020 compensation includes the same companies as the previous year's comparison group, except that SCANA Corporation was replaced with Evergy, Inc. SCANA Corporation was acquired by Dominion Energy, Inc. in 2019; as a result, it is no longer a public company. FW Cook recommended Evergy, Inc. as its replacement. The comparison group consisted of the 18 companies listed below.

- Alliant Energy Corporation
- Ameren Corporation
- American Electric Power Company
- CMS Energy Corporation
- CenterPoint Energy
- Consolidated Edison, Inc.
- DTE Energy Co.
- Edison International
- Entergy Inc.
- Evergy, Inc.
- Eversource Energy
- FirstEnergy Corp.
- NiSource Inc.
- PG&E Corporation
- PPL Corp.
- Pinnacle West Capital Corp.
- The Southern Company
- Xcel Energy Inc.

The Compensation Committee approved this comparison group.

DETERMINATION OF MARKET MEDIAN

In order to determine the "market median" for our NEOs, FW Cook recommended that the survey data from Willis Towers Watson and Aon Hewitt receive a 75% weighting and the comparison group of 18 companies receive a 25% weighting. The Compensation Committee agreed with this recommendation. The survey data received a higher weighting because we consider the labor market for our executives to be consistent with that of general industry. Using this methodology, FW Cook recommended, and the Compensation Committee approved, the appropriate market median for each of our NEOs.

The comparison of each component of compensation with the appropriate market median when setting the compensation levels of our NEOs generally drives the allocation of cash versus non-cash compensation and short-term versus long-term incentive compensation.

ANNUAL BASE SALARY

The annual base salary component of our executive compensation program provides each executive officer with a fixed level of annual cash compensation. We believe that providing annual cash compensation through a base salary is an established market practice and is a necessary component of a competitive compensation program.

Based upon the market data analyzed by FW Cook, we generally target base salaries to be at or near the market median for each NEO. However, the Compensation Committee may, in its discretion, set base salaries at a different amount when the Compensation Committee deems it appropriate.

Actual salary determinations are made taking into consideration factors such as the relative levels of individual experience, performance, responsibility, market compensation data and contribution to the results of the Company's operations. At the beginning of each year, our CEO and the other members of the Office of the Chair develop a list of goals for WEC Energy Group and our employees to achieve during the upcoming year. At the end of the year, the Company's performance is measured against each stated goal and the results are reported to the Board. The Compensation Committee then takes the Company's performance into consideration when establishing our CEO's and Executive Chairman's compensation for the upcoming year. Our CEO undertakes a similar process with the other NEOs, who develop individual goals related to the achievement of the Company's goals. At the end of the year, each officer's performance is measured against these goals. The CEO and Executive Chairman discuss these results and based on this performance assessment, a compensation recommendation is made to the Compensation Committee for the upcoming year for each executive officer.

2020 Salary Determination Process

The Compensation Committee increased Mr. Fletcher's 2020 annual base salary by 5% to \$1,054,200.

In connection with Ms. Liu's appointment as Executive Vice President and Chief Financial Officer, her annual base salary was set at \$710,000, prorated to her June 1, 2020 start date.

Mr. Lauber's 2020 base salary was initially set at \$656,250 for his role as Senior Executive Vice President and Chief Financial Officer. In connection with Mr. Lauber's appointment as Senior Executive Vice President and Chief Operating Officer effective June 1, 2020, his annual base salary was increased to \$800,000.

Pursuant to the terms of a letter agreement Mr. Klappa entered into with the Company in December 2019, which was approved by the Compensation Committee, his 2020 base salary was set at \$1,050,000. In October 2020, in recognition of his strong, continued leadership and to ensure the ongoing mentoring of the next generation of leadership of the Company, the Board determined that Mr. Klappa should continue to serve as Executive Chairman until May 2024. Mr. Klappa entered into a new letter agreement, which stated that, going forward, his compensation would be determined in the same manner and subject to the same timing as the Compensation Committee utilizes for all other NEOs.

With respect to the 2020 base salaries of the remaining NEOs, in December 2019, recommendations were made to the Compensation Committee based upon a review of the market compensation data provided by FW Cook and the other factors described above. The Compensation Committee approved the recommendations, which represented an average increase in annual base salary of approximately 4.3% for Messrs. Garvin and Kuester, and Ms. Kelsey. The annual base salary of each NEO was at or near the market median.

ANNUAL CASH INCENTIVE COMPENSATION

We provide annual cash incentive compensation through our Short-Term Performance Plan (“STPP”). The STPP provides for annual cash awards to our executive officers and other key employees based upon the achievement of pre-established stockholder-, customer-, and employee- focused objectives. All payments under the STPP are at risk. Payments are made only if performance goals are achieved, and awards may be less or greater than targeted amounts based upon actual performance. Payments under the STPP are intended to reward achievement of short-term goals that contribute to stockholder and customer value, as well as individual contributions to successful operations.

2020 Target Awards. Each year, the Compensation Committee approves a target level of compensation under the STPP for each of our NEOs. This target level of compensation is expressed as a percentage of base salary.

Ms. Liu’s target award was set at 80% of base salary, prorated to her June 1, 2020 start date.

Effective June 1, 2020, the target award level for Mr. Lauber was increased to 85% of base salary in recognition of his appointment to Senior Executive Vice President and Chief Operating Officer. Therefore, Mr. Lauber’s STPP payout level reflects an 80% target level for January through May 2020 and an 85% target level for June through the remainder of 2020.

The year-end 2020 target awards for each NEO (other than Ms. Liu and Mr. Lauber, who are discussed above) are set forth in the chart below.

Executive Officer	Target STPP Award as a Percentage of Base Salary
Mr. Fletcher	125%
Mr. Klappa	105%
Ms. Kelsey	75%
Mr. Garvin	65%
Mr. Kuester	85%

The target award levels of each NEO reflect median incentive compensation practices as indicated by the market data.

For 2020, the possible payout for any NEO ranged from 0% of the target award to 210% of the target award, based upon Company performance.

2020 Financial Goals under the STPP. The Compensation Committee adopted the 2020 STPP with a continued principal focus on financial results. In December 2019, the Compensation Committee approved WEC Energy Group’s earnings per share (75% weight) and cash flow (25% weight) as the primary performance measures to be used in 2020. We continue to believe earnings per share and cash flow are key indicators of financial strength and performance, and are recognized as such by the investment community.

In January 2020, the Compensation Committee approved the performance goals under the STPP for WEC Energy Group’s earnings per share as set forth in the chart below.

Earnings Per Share Performance Goal	Earnings Per Share CAGR	Payout Level
\$3.62	3.4%	25%
\$3.65	4.3%	50%
\$3.68	5.1%	100%
\$3.71	6.0%	135%
\$3.75	7.1%	200%

If the Company’s performance falls between these levels, the payout level with respect to earnings per share is determined by interpolating on a straight line basis the appropriate payout level.

The Company’s growth plan, which has been communicated to the public, calls for a compound annual growth rate (“CAGR”) in earnings per share of 5.0% to 7.0%. At the time the Compensation Committee was establishing targets for 2020, this CAGR was measured off a 2019 base of \$3.50 per share, which represented the mid-point of the original 2019 annual earnings guidance. We believe that this CAGR, plus our continued growth in dividends, supports a premium valuation as compared to the Company’s peers. In order to further motivate management, the Compensation Committee determined that the Company’s target and maximum payout levels should exceed the low and high ends of the 5.0% to 7.0% CAGR growth plan. Therefore, the target (100%) and maximum payout levels (200%) were tied to 5.1% and 7.1% CAGRs, respectively. The Compensation Committee tied the above-target payout level to achievement of a 6.0% CAGR.

In January 2020, the Compensation Committee approved the performance goals under the STPP for WEC Energy Group's cash flow as set forth in the chart below (\$ in millions).

Cash Flow	Payout Level
\$1,775	25%
\$1,825	50%
\$1,875	100%
\$1,925	135%
\$2,025	200%

If the Company's performance falls between these levels, the payout level with respect to cash flow is determined by interpolating on a straight-line basis the appropriate payout level.

The Compensation Committee based the cash flow performance level goals on WEC Energy Group's "net cash provided by operating activities" and adjusting for certain accruals and other items related to capital spending ("Adjusted Cash From Operations"). GAAP requires these items to be recorded as part of cash from operations, but management views them as related to the Company's capital expenditure program. The Compensation Committee believes that basing the cash flow performance goals on Adjusted Cash From Operations provides a more accurate measurement of the cash generated by the Company's operations that is available for capital investment, which is the Company's primary driver for earnings growth. Adjusted Cash From Operations is not a measure of financial performance under GAAP, and the Company's calculation may differ from similarly titled measures used by other companies or securities rating agencies.

2020 Financial Performance under the STPP. In January 2021, the Compensation Committee reviewed our actual performance for 2020 against the financial and operational performance goals established under the STPP, subject to final audit.

WEC Energy Group's 2020 financial performance satisfied the maximum payout level established for earnings per share and cash flow. WEC Energy Group's earnings per share were \$3.79 for 2020, and its cash flow, based on Adjusted Cash From Operations, was \$2,207.2 million. Our cash flow result is not a measure of financial performance under GAAP.

By satisfying the maximum payout level with respect to these financial measures, the NEOs earned 200% of the target award from the financial goal component of the STPP.

2020 WEC Energy Group Operational Goals and Performance under the STPP. The Compensation Committee recognizes the importance of integrating environmental, social and governance initiatives into the Company's compensation program. Therefore, similar to prior years, in December 2019 and January 2020, the Compensation Committee also approved operational performance measures and targets under the STPP that promote certain of the Company's environmental, social and governance priorities. The Compensation Committee identified commitment to customer satisfaction, supplier and workforce diversity, and safety as critical to the success of the Company. For that reason, annual incentive awards could be increased or decreased by up to 10% of the actual award based upon WEC Energy Group's performance in the operational areas of customer satisfaction (5% weight), safety (2.5% weight), and supplier and workforce diversity (2.5% weight).

The Compensation Committee measures customer satisfaction levels based upon the results of surveys that an independent third party conducts of customers who had direct contact with our utilities during the year, which measure (i) customers' satisfaction with the respective utility overall, and (ii) customers' satisfaction with respect to the particular transactions with the applicable utility. Safety is measured based upon performance against the number of lost time injuries and OSHA recordable incidents.

The operational performance measures are based upon recommendations from management and take into consideration both current-year performance and our longer-term objective of achieving top quartile performance of all of our principal utilities. The Compensation Committee reviews management's recommendations and may make adjustments to the performance measures if it determines changes are necessary. The following table provides the operational goals approved by the Compensation Committee for 2020, as well as WEC Energy Group's performance against these goals:

Operational Measure	Below Goal	Goal	Above Goal	Final Result
Customer Satisfaction Percentage of "Highly Satisfied":	-5.00%	0.00%	+5.00%	
Company	<78.3%	78.3% - 80.8%	>80.8%	84.1%
Transaction	<82.0%	82.0% - 83.9%	>83.9%	85.8%
Safety:	-2.50%	0.00%	+2.50%	
Lost Time Injury - Incidents	>52	30 - 52	<30	53
OSHA Recordable - Incidents	>179	128 - 179	<128	179
Diversity:	-2.50%	0.00%	+2.50%	
Supplier (\$ in Millions)	<223.0	223 - 259.8	>259.8	303.4
Workforce - Assessment	Not Met	Met	Exceeded	Exceeded

WEC Energy Group's performance with respect to operational goals generated a 6.25% increase to the compensation awarded under the STPP for 2020. Customer satisfaction and diversity performance added 7.5% and our performance with respect to lost-time injuries subtracted 1.25%.

We did not include any COVID-19-related absences or illnesses in the calculation of WEC Energy Group's performance against either of our safety measures for compensation purposes. The safety goals were established prior to the onset of the COVID-19 pandemic in the United States and, thus, did not include consideration of pandemic-related absences or illnesses or how best to evaluate and measure such items if they were to be included. In addition, the Company does not believe unique absences or illnesses related to COVID-19 accurately reflect the results of the Company's workplace safety program. As calculated, our performance under the "Lost Time Injury" measure resulted in a reduction of 1.25% and our performance under the "OSHA Recordable" measure resulted in no increase or decrease. If we had included COVID-19 diagnoses and/or quarantines in the calculation against the established metrics, our performance under the "OSHA Recordable – Incidents" measure would have been "below goal."

The Compensation Committee retains the right to exercise discretion in adjusting awards under the STPP when it deems appropriate, but did not factor individual contributions into determining the amount of the awards for the NEOs for 2020. Because the Company's performance against the financial and operational goals resulted in significant STPP awards in 2020, the Compensation Committee determined that no further adjustments based upon individual contributions or otherwise were appropriate.

Based upon the Company's performance against the financial and operational goals established by the Compensation Committee, Mr. Fletcher received annual incentive cash compensation under the STPP of \$2,717,859 for 2020. This represented 254% of his annual base salary. Mr. Kuester's annual cash incentive compensation was prorated to account for his retirement and was equal to 174% of his prorated base salary. Messrs. Lauber, Klappa, and Garvin, and Mmes. Liu and Kelsey, each received annual cash incentive compensation for 2020 under the STPP equal to 169%, 214%, 132%, 162%, and 153% of their respective annual base salaries, representing 206.25% of the target award for each officer. Ms. Liu's incentive award was prorated to reflect her June 1, 2020 start date.

LONG-TERM INCENTIVE COMPENSATION

The Compensation Committee administers our WEC Energy Group Omnibus Stock Incentive Plan, amended and restated effective January 1, 2016 (the "OSIP"), which is a stockholder-approved, long-term incentive plan designed to link the interests of our executives and other key employees to creating long-term stockholder value. It allows for various types of awards tied to the performance of our common stock, including stock options, stock appreciation rights, and restricted stock. The Compensation Committee also administers the WEC Energy Group Performance Unit Plan, under which the Compensation Committee may award performance units. The Compensation Committee primarily uses (1) performance units, including dividend-equivalents, (2) stock options, and (3) restricted stock to deliver long-term incentive opportunities.

Performance Units. Each year, the Compensation Committee makes annual grants of performance units under the Performance Unit Plan. The performance units are designed to provide a form of long-term incentive compensation that aligns the interests of management with those of a typical utility stockholder who is focused not only on stock price appreciation but also on dividends. Payouts are based upon the Company's level of "total stockholder return" (stock price appreciation plus reinvested dividends) in comparison to a peer group of companies over a three-year performance period, and may be adjusted based upon the Company's performance against one or more Additional Performance Measures. The performance units are settled in cash.

Selection of Additional Performance Measure(s). "Additional Performance Measure" is defined as the performance criterion or criteria (if any) that the Compensation Committee selects, in its sole discretion, based upon the attainment of specific levels of performance by WEC Energy Group. Performance units vest in an amount between 0% and 175% of the target award based upon WEC Energy Group's comparative total stockholder return over a three-year performance period. However, the vesting percentage may be adjusted based upon WEC Energy's performance against the Additional Performance Measure(s). The Additional Performance Measure(s), if any, must be selected by the Compensation Committee at the beginning of the three-year performance period. For each year during the performance period, the Compensation Committee will select the target(s) for the Additional Performance Measure(s) and the potential adjustment to the vesting percentage for that year based upon achievement of the Additional Performance Measure(s) relative to the selected target(s). The actual adjustment, if any, to the vesting percentage based upon the Additional Performance Measure(s) will be determined annually. In no event will any adjustment cause the vesting percentage over the three-year performance period to be less than zero.

Short-Term Dividend Equivalents. We increase the number of unvested performance units as of any date that we declare a cash dividend on our common stock by the amount of short-term dividend equivalents a participant is entitled to receive. Short-term dividend equivalents are calculated by multiplying (a) the number of unvested performance units held by a plan participant as of the related dividend record date by (b) the amount of cash dividend payable by the Company on a share of common stock; and (c) dividing the result by the closing price for a share of the Company's common stock on the dividend payment date. In effect, short-term dividend equivalents are credited and accumulated as reinvested dividends on each performance unit so that the performance units and accumulated dividends will be paid out at the end of the three-year performance period, rather than paying out the dividend equivalents annually on unearned performance units.

Short-term dividend equivalents are treated as additional unvested performance units and are subject to the same vesting, forfeiture, payment, termination, and other terms and conditions as the original performance units to which they relate. In addition, outstanding short-term dividend equivalents are treated as unvested performance units for purposes of calculating future short-term dividend equivalents.

Stock Options. Each year, the Compensation Committee also makes annual stock option grants as part of our long-term incentive program. These stock options have an exercise price equal to the fair market value of our common stock on the date of grant and expire on the 10th anniversary of the grant date. Since management benefits from a stock option award only to the extent our stock price appreciates above the exercise price of the stock option, stock options align the interests of management with those of our stockholders in attaining long-term stock price appreciation.

Restricted Stock. The Compensation Committee also awards restricted stock as part of the long-term incentive plan, consistent with market practice. Similar to performance units, restricted stock aligns the interests of management with a typical utility stockholder who is focused on stock price appreciation and dividends.

Aggregate 2020 Long-Term Incentive Awards. Generally, when establishing the target value of long-term incentive awards and the appropriate mix of performance units, stock options, and restricted stock for each NEO, the Compensation Committee reviews the market compensation data and analysis provided by FW Cook. Based upon FW Cook's analysis, for 2020 the Compensation Committee determined that the long-term incentive awards would be weighted 65% performance units, 20% stock options, and 15% restricted stock for Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey. Target values also were presented to and approved by the Compensation Committee in December 2019. Upon commencing employment with the Company on June 1, 2020, Ms. Liu received a long-term award with the same weighting.

After consultation with FW Cook, the Compensation Committee determined that Mr. Klappa's 2020 long-term incentive award would be weighted 25% performance units, 15% stock options, and 60% restricted stock. 2020 marks the first year Mr. Klappa received performance units as part of his long-term award since his return to the Company in an executive officer role in late 2017. In prior years, Mr. Klappa's tenure with the Company had been uncertain at the time the Compensation Committee was making compensation decisions. However, at the time the Compensation Committee was determining 2020 long-term awards, Mr. Klappa had committed to serve as Executive Chairman until February 2022, which has since been extended to May 2024. Therefore, the Compensation Committee determined that his 2020 long-term award should include performance units. Because the vesting percentage of the 2020 performance units is based upon WEC Energy Group's total stockholder return over a three-year period ending December 31, 2022, and at the time Mr. Klappa's commitment to serve as Executive Chairman only extended to February 2022, the Compensation Committee did not think that 65% of his long-term award should vest 11 months after Mr. Klappa's tenure with the Company ended. During these 11 months, Mr. Klappa would not have any direct influence over the performance of the Company. Therefore, the Compensation Committee determined that only 25% of Mr. Klappa's long-term award should consist of performance units.

With respect to Mr. Kuester, after consultation with FW Cook, the Compensation Committee determined that his long-term incentive awards would be weighted the same as his 2019 award: 80% restricted stock and 20% stock options. At the time 2020 compensation decisions were being made by the Compensation Committee, there had not yet been any specific determination as to the duration of Mr. Kuester's tenure with the Company other than it would be shorter than the other executive officers. Since the vesting percentage of performance units is based upon WEC Energy Group's total stockholder return over a three-year period, the Compensation Committee determined that performance units would not accurately reflect the contributions of Mr. Kuester to the success of the Company over a shorter period of time.

Based upon the market data provided by FW Cook, we customarily target the long-term incentive award to be at or near the market median value of long-term incentive compensation for each executive officer's position. Other than Mr. Kuester, all of the NEOs' long-term incentive awards were within this target range for 2020. The value of Mr. Kuester's 2020 long-term incentive award was set at the same level as his 2019 and 2018 awards, consistent with the commitment the Company made to Mr. Kuester when he agreed to return to the Company in 2018. The following provides the 2020 target long-term incentive award value for each NEO:

Executive Officer	Target LTI Award as a Percentage of Base Salary
Mr. Fletcher	275%
Ms. Liu	225%
Mr. Lauber*	230%
Mr. Klappa	200%
Ms. Kelsey	160%
Mr. Garvin	140%
Mr. Kuester	275%

* Mr. Lauber's target long-term incentive award as a percentage of base salary was increased from 215% to 230% to reflect his appointment as Senior Executive Vice President and Chief Operating Officer.

2020 Stock Option Grants. In December 2019, the Compensation Committee approved the grant of stock options to each of our NEOs (other than Ms. Liu) and established an overall pool of options that were granted to approximately 200 other employees. The annual option grants to the NEOs were made effective January 2, 2020, the first trading day of 2020. The Compensation Committee later approved a grant of stock options to Ms. Liu, effective June 1, 2020. In addition, in connection with Mr. Lauber's appointment as Chief Operating Officer, effective June 1, 2020, the Compensation Committee approved an additional grant of stock options valued at \$50,057, effective July 1, 2020, in recognition of his additional responsibilities.

All such options were granted with an exercise price equal to the average of the high and low prices reported on the NYSE for shares of WEC Energy Group common stock on the grant date. The January 2020 options were granted in accordance with our standard practice

of making annual stock option grants effective on the first trading day of each year, and the timing of all of the grants was not tied to the timing of any release of material information.

All 2020 stock options have a term of 10 years and vest 100% on the third anniversary of the date of grant. The vesting of the stock options may be accelerated in connection with a change in control or an executive officer's termination of employment under certain circumstances. See "Potential Payments upon Termination or Change in Control" beginning on page P-67 for additional information. Subject to the limitations of the OSIP, the Compensation Committee has the power to amend the terms of any option (with the participant's consent). However, the Committee may not reduce the exercise price of existing options or cancel outstanding options and grant replacement options having a lower exercise price without stockholder approval. For a description of proposed changes to this plan, which are subject to stockholder approval, see "Approval of the Amendment and Restatement of the WEC Energy Group Omnibus Stock Incentive Plan" beginning on page P-37 of this proxy statement.

For purposes of determining the appropriate number of options to grant to a particular NEO, the value of an option was determined based upon the Black-Scholes option pricing model. We use the Black-Scholes option pricing model for purposes of the compensation valuation. The following table provides the number of options granted to each NEO in 2020:

Executive Officer	Options Granted
Mr. Fletcher	66,614
Ms. Liu	36,705
Mr. Lauber	38,170
Mr. Klappa	36,190
Ms. Kelsey	20,477
Mr. Garvin	15,471
Mr. Kuester	53,410

For financial reporting purposes, the stock options granted on January 2, 2020 had a grant date fair value of \$10.82 per option. The stock options granted on June 1, 2020 to Ms. Liu and on July 1, 2020 to Mr. Lauber had grant date fair values of \$12.45 and \$11.97, respectively.

2020 Restricted Stock Awards. In December 2019, the Compensation Committee also approved the grant of restricted stock to each of our NEOs (other than Ms. Liu) and established an overall pool of restricted stock that was granted to approximately 200 other employees. The grants were made effective January 2, 2020. The Compensation Committee subsequently approved a grant of restricted stock to Ms. Liu, effective June 1, 2020. This included her annual award as well as a one-time restricted stock award valued at \$400,000 to incentivize Ms. Liu to accept the Chief Financial Officer role with the Company and to compensate Ms. Liu for the value lost when she forfeited equity awards of her former employer upon joining the Company. In addition, in connection with Mr. Lauber's appointment as Chief Operating Officer, the Compensation Committee approved an additional grant of restricted stock to Mr. Lauber valued at \$37,543, effective July 1, 2020, in recognition of his increased responsibilities.

Other than the shares granted to Messrs. Klappa and Kuester, the restricted stock vests in three equal annual installments beginning on the one year anniversary of the applicable grant date. The shares of restricted stock granted to Messrs. Klappa and Kuester vest in full on the one year anniversary of the grant date, consistent with the restricted stock awards they have received each year since returning to the Company, reflecting the shorter tenure the Compensation Committee expected for Messrs. Klappa and Kuester as compared to the other NEOs at the time of the award.

The vesting of the restricted stock may be accelerated in connection with a termination of employment due to a change in control, death or disability, or by action of the Compensation Committee. In connection with Mr. Kuester's retirement, effective July 1, 2020, the Compensation Committee accelerated the vesting of all unvested shares of restricted stock awarded to Mr. Kuester. See "Potential Payments upon Termination or Change in Control" beginning on page P-67 for additional information. Tax withholding obligations related to vesting may be satisfied, at the option of the executive officer, by withholding shares otherwise deliverable upon vesting or by cash. The NEOs have the right to vote the restricted stock and to receive cash dividends when the Company pays a dividend to its stockholders.

Regarding the annual grants effective January 2, 2020, for purposes of determining the appropriate number of shares of restricted stock to grant to a particular NEO, the Compensation Committee used a value of \$88.839 per share. This value was based upon the volume-weighted price of WEC Energy Group's common stock for the ten trading days beginning on December 2, 2019, and ending on December 13, 2019. The Compensation Committee uses the volume-weighted price for annual awards in order to minimize the impact of day-to-day volatility in the stock market.

Regarding the June 1, 2020 and July 1, 2020 grants to Ms. Liu and Mr. Lauber, respectively, the Compensation Committee used a value of \$92.315 per share. This value was based upon the average of the high and low stock prices of WEC Energy Group's common stock on June 1, 2020. Although Mr. Lauber's award was effective July 1, 2020, the Compensation Committee used the same value as was used for Ms. Liu's award since Mr. Lauber's award was made in connection with his appointment as Chief Operating Officer, effective June 1, 2020. The Compensation Committee approved Mr. Lauber's additional restricted stock award after he assumed the role of Chief Operating Officer, and therefore determined to make the award effective July 1 rather than June 1.

The measurement period is customarily early- to mid-December for annual awards in order to shorten the timeframe between the calculation of the awards and the actual grant date. The following table provides the number of shares of restricted stock granted to each NEO in 2020:

Executive Officer	Restricted Stock Granted
Mr. Fletcher	4,895
Ms. Liu	6,927
Mr. Lauber	2,788
Mr. Klappa	14,182
Ms. Kelsey	1,505
Mr. Garvin	1,137
Mr. Kuester	20,931

2020 Performance Units. In December 2019, the Compensation Committee approved the grant of performance units to each of our NEOs (other than Ms. Liu and Mr. Kuester) and approved a pool of performance units that were granted to approximately 200 other employees. The Compensation Committee subsequently approved a grant of 2020 performance units to Ms. Liu, effective June 1, 2020. In addition, in connection with Mr. Lauber's appointment as Chief Operating Officer the Compensation Committee approved an additional grant of performance units valued at \$162,687, effective July 1, 2020, in recognition of his additional responsibilities.

With respect to the 2020 performance units, the amount of the benefit that ultimately vests will be dependent upon the Company's total stockholder return over a three-year period ending December 31, 2022, as compared to the total stockholder return of the custom peer group described below. Total stockholder return is the calculation of total return (stock price appreciation plus reinvestment of dividends) based upon an initial investment of \$100 and subsequent \$100 investments at the end of each quarter during the three-year performance period. However, the vesting percentage may be adjusted based upon WEC Energy Group's performance against the Additional Performance Measure. For the 2020 performance unit awards, the Compensation Committee selected performance against the weighted average authorized return on equity of all WEC Energy Group's utility subsidiaries as the Additional Performance Measure.

Upon vesting, the performance units will be settled in cash in an amount determined by multiplying the number of performance units that have vested by the closing price of the Company's common stock on the last trading day of the performance period.

The 2020 performance unit peer group against which WEC Energy Group's performance will be measured includes:

- Alliant Energy Corporation
- Ameren Corporation
- American Electric Power Company
- CMS Energy Corporation
- Consolidated Edison, Inc.
- DTE Energy Co.
- Duke Energy Corp.
- Edison International
- Evergy, Inc.
- Eversource Energy
- FirstEnergy Corp.
- NiSource Inc.
- OGE Energy Corp.
- PG&E Corporation
- Pinnacle West Capital Corp.
- The Southern Company
- Xcel Energy Inc.

The peer group is chosen by the Compensation Committee, based upon management's recommendation and with the concurrence of FW Cook. This peer group was chosen because we believe these companies are similar to WEC Energy Group in terms of business model and long-term strategies, with a primary focus on regulated utility operations rather than a non-regulated business model. There is significant overlap between the performance unit peer group and the comparison group developed by FW Cook for purposes of benchmarking compensation levels. However, there are several companies that are different among the two groups because FW Cook places significant weight on the financial metrics of the companies included in its comparison group, whereas we focus more on operational measures for the performance unit peer group.

The required percentile ranking for total stockholder return and the applicable vesting percentage are set forth in the chart below.

Performance Percentile Rank	Vesting Percent
< 25 th Percentile	0%
25 th Percentile	25%
Target (50 th Percentile)	100%
75 th Percentile	125%
90 th Percentile	175%

If the Company's rank is between the benchmarks identified above, the vesting percentage will be determined by interpolating on a straight line basis the appropriate vesting percentage. Unvested performance units generally are immediately forfeited upon a NEO's cessation of employment with WEC Energy Group prior to completion of the three-year performance period. However, the performance units will vest immediately at the target 100% rate upon the termination of the NEO's employment (1) by reason of

disability or death or (2) after a change in control of WEC Energy Group. In addition, a prorated number of performance units (based upon the target 100% rate) will vest upon the termination of employment of the NEO by reason of retirement prior to the end of the three-year performance period.

Pursuant to the terms of the performance unit plan, the vesting percentage of the performance units may be adjusted downwards or upwards based upon the Company's performance against an Additional Performance Measure. Similar to the performance units awarded in 2018 and 2019, the Additional Performance Measure for the 2020 performance unit awards is the weighted average authorized return on equity ("ROE") of all WEC Energy Group's utility subsidiaries. In order for WEC Energy Group to meet its earnings per share targets, it is important that our utilities earn at or close to their allowed rates of return. The Company's performance against this measure may decrease or increase the vesting percentage of the performance units up to 10% over the three-year performance period. The ROE target is based upon a formulaic calculation that varies each year based on our past and planned investments among our utilities, as well as each utility's authorized ROE. For the 2018, 2019, and 2020 performance awards, the ROE targets and potential adjustments were set as follows for 2020:

If Actual Annual ROE is	The Annual Adjustment is	ROE Ranges
≤ 20 bp below the Authorized ROE	+ 3.33%	≥ 9.60%
21 - 30 bp below the Authorized ROE	0%	9.59% - 9.50%
> 30 bp below the Authorized ROE	(3.33)%	< 9.50%

WEC Energy Group's utility subsidiaries achieved a weighted average authorized ROE of 10.13% for 2020. This resulted in a 3.33% increase in the vesting percentage of the performance units awarded in January 2020, January 2019 and January 2018.

For purposes of determining the appropriate number of performance units to grant to a particular NEO, the Compensation Committee used the same values as were used for the various 2020 restricted stock grants; \$88.839 for the annual grants in January 2020 and \$92.315 for the mid-year grants to Ms. Liu and Mr. Lauber.

The following table provides the number of performance units granted to each NEO in 2020, at the 100% target level:

Executive Officer	Performance Units Granted
Mr. Fletcher	21,211
Ms. Liu	11,250
Mr. Lauber	12,083
Mr. Klappa	5,910
Ms. Kelsey	6,520
Mr. Garvin	4,926
Mr. Kuester	—

2020 Payouts under Previously Granted Long-Term Incentive Awards. In 2018, the Compensation Committee granted performance unit awards to participants in the Performance Unit Plan. The terms of the performance units granted in 2018 were substantially similar to those of the performance units granted in 2020 described above. The required percentile ranks for total stockholder return and related vesting schedule were identical to that of the 2020 performance units.

Payouts under the 2018 performance units were based upon our total stockholder return for the three-year performance period ended December 31, 2020 against the same group of peer companies used for the 2020 performance unit awards. The peer group for the 2018 performance unit awards originally included SCANA Corporation, which was acquired by Dominion Energy, Inc. in January 2019, and is no longer a public company. As a result, in January 2019, the Compensation Committee determined that SCANA Corporation should be removed from the custom peer group for the outstanding 2017-2019 performance unit awards.

Our total stockholder return was at the 82.4th percentile of the peer group for the three-year performance period ended December 31, 2020, resulting in the performance units vesting at a level of 149.5%. The cumulative three-year impact of the Company's performance against the Additional Performance Measure was a 10% increase in the vesting percentage of the performance units for a total vesting level of 159.5%. The actual payouts were determined by multiplying the number of vested performance units by the closing price of our common stock (\$92.03) on December 31, 2020, the last trading day of the performance period. The actual payout to each NEO (other than Messrs. Klappa and Kuester, and Ms. Liu, who did not have any 2018 performance units outstanding) is reflected in the "Option Exercises and Stock Vested for Fiscal Year 2020" table.

COMPENSATION RECOUPMENT POLICY

Accountability is a fundamental value of WEC Energy Group. To reinforce this value through the Company's executive compensation program, the Compensation Committee has adopted a clawback policy that provides for the recoupment of incentive-based compensation in the event WEC Energy Group is required to prepare an accounting restatement due to material noncompliance with any financial reporting requirement under the securities laws (other than restatements permitted as a result of changes in accounting principles or interpretation). Pursuant to the policy, the Compensation Committee will recover from any current or former executive officer who has received incentive-based compensation during the three-year period preceding the date on which WEC Energy Group

is required to prepare the accounting restatement, any portion of the incentive-based compensation paid in excess of what would have been paid to the executive officer under the restated financial results. The Company may also recover incentive-based compensation if an executive officer's employment is terminated for cause, or the executive officer violates a noncompetition or other restrictive covenant.

STOCK OWNERSHIP GUIDELINES

The Compensation Committee believes that an important adjunct to the long-term incentive program is significant stock ownership by officers who participate in the program, including the NEOs. Accordingly, the Compensation Committee has implemented stock ownership guidelines requiring officers who participate in the long-term incentive program to hold an amount of Company common stock and other equity-related Company securities that varies depending upon such officer's level.

In addition to shares owned outright, holdings of each of the following are included in determining compliance with our stock ownership guidelines: restricted stock; WEC Energy Group phantom stock units held in the Executive Deferred Compensation Plan and Non-Qualified Retirement Savings Plan; WEC Energy Group stock held in WEC Energy Group's 401(k) plans; performance units at target; and shares held in a brokerage account, jointly with an immediate family member or in a trust.

The guidelines require each executive officer, including the NEOs, to acquire (generally within five years of appointment as an executive officer) and hold common stock and other equity-related securities of the Company having a minimum fair market value ranging from 250% to 600% of base salary. The Compensation Committee believes these stock ownership guidelines discourage unreasonable risk-taking by Company officers.

The Compensation Committee annually reviews whether executive officers are in compliance with these guidelines. The last review was completed in October 2020. The Compensation Committee determined that all NEOs are in compliance, or making sufficient progress towards compliance, with these guidelines.

PROHIBITION ON HEDGING AND PLEDGING

WEC Energy Group's Corporate Securities Trading Policy prohibits directors and active employees (including officers) or any of their designees from using any strategies or product (including derivatives, short-selling techniques, prepaid variable forward contracts, equity swaps, collars, and exchange funds) that hedge or offset, or are designed to hedge or offset, any potential changes in the value of WEC Energy Group's common stock. The policy applies to WEC Energy Group common stock granted to the employee or director by the Company as part of their compensation or held directly or indirectly by the employee or director. The policy also prohibits the holding of WEC Energy Group securities in a margin account, as well as the pledging of WEC Energy Group securities as collateral for a loan.

LIMITED TRADING WINDOWS

Officers, including the NEOs, other identified employees, and the Company's directors may only transact in WEC Energy Group securities during approved trading windows after satisfying mandatory pre-clearance requirements.

RETIREMENT PROGRAMS

We also maintain retirement plans in which our NEOs participate: a defined benefit pension plan of the cash balance type, a supplemental pension plan, individual letter agreements with some of the NEOs, a 401(k) plan, and a non-qualified retirement savings plan. We believe our retirement plans are a valuable benefit in the attraction and retention of our employees, including the NEOs. We believe that providing a foundation for long-term financial security for our employees, beyond their employment with the Company, is a valuable component of our overall compensation program which will inspire increased loyalty and improved performance. For more information about our retirement plans, see "Pension Benefits at Fiscal Year-End 2020" and "Retirement Plans."

OTHER BENEFITS, INCLUDING PERQUISITES

We provide our executive officers, including the NEOs, with employee benefits and a limited number of perquisites. Except as specifically noted elsewhere in this proxy statement, the employee benefits programs in which executive officers participate (which provide benefits such as medical coverage, retirement benefits, annual contributions to a qualified savings plan, and moving and relocation costs) are generally the same programs offered to substantially all of the Company's management employees.

The perquisites made available to executive officers include financial planning, membership in a service that provides health care and safety management when traveling outside the United States, reimbursement for expenses related to annual physical exam costs not covered by insurance, and limited spousal travel for business purposes. The Company also pays periodic dues and fees for club memberships for certain of the NEOs and other designated officers.

We customarily review market data regarding executive perquisite practices on an annual basis. For 2020, the Compensation Committee again reviewed our package of perquisites with FW Cook and decided not to make any changes. WEC Energy Group has a legacy group of executives who are still eligible for gross-ups. We reimburse those executives for taxes paid on income attributable to the financial planning benefits provided to the executives only if the executive uses either of the Company's identified preferred providers, Annex Wealth Management or AYCO. We believe the use of the preferred financial advisers provides administrative benefits and eases communication between Company personnel and the financial advisers.

We pay periodic dues and fees for certain club memberships as we have found that the use of these facilities helps foster better customer and community relationships. Officers, including the NEOs, are expected to use clubs for which the Company pays dues primarily for business purposes. We do not pay any additional expenses incurred for personal use of these facilities, and officers are required to reimburse the Company to the extent that it pays for any such personal use. The total annual club dues are included in the "Summary Compensation Table." We do not permit personal use of the airplane available to the Company. We do allow spousal travel if an executive's spouse is accompanying the executive on business travel and the airplane is not fully utilized by Company personnel. There is no incremental cost to the Company for this travel, other than the reimbursement for taxes paid on imputed income attributable to the executives for this perquisite, as the airplane cost is the same regardless of whether or not an executive's spouse travels. Any tax reimbursement is subject to the Company's Tax Gross-Up Policy discussed below.

In addition, each of our executive officers is eligible to participate in an officer life insurance benefit. If an executive officer chooses to participate, upon such officer's death while employed by the Company, a benefit is paid to his or her designated beneficiary in an amount equal to the value of three times the officer's base salary at the time of death.

TAX GROSS-UP POLICY

The Compensation Committee adopted a formal policy that prohibits entry into any contract, agreement, or arrangement with any officer of the Company that obligates the Company to pay directly or reimburse the officer for any portion of the officer's individual tax liability for benefits provided by the Company. Excluded from this policy are (1) agreements or arrangements entered into prior to December 2014 when the policy was adopted, (2) agreements or arrangements entered into prior to, and assumed by the Company in connection with, any merger or acquisition, or (3) plans or policies applicable to Company employees generally.

This policy formalized the Compensation Committee's policy that had been in place since July 2011 to eliminate tax gross-ups on perquisites provided by the Company to its officers (except to officers who were already receiving gross-ups as of July 2011). Of the NEOs, Messrs. Lauber and Garvin are eligible to receive gross-ups from the Company.

SEVERANCE BENEFITS AND CHANGE IN CONTROL

Messrs. Lauber, Klappa, Garvin and Kuester, and Ms. Liu, have not entered into an employment agreement that provides for severance and change in control benefits. However, they are eligible to participate in the Company's Severance Pay Plan. Mr. Fletcher is a party to an employment agreement with the Company, which includes severance provisions. Ms. Kelsey's employment agreement also includes a severance provision; however, this benefit expired on September 18, 2020. For a discussion of the severance benefits available under Mr. Fletcher's agreement, and to our executive officers generally, see "Potential Payments upon Termination or Change in Control."

In addition, our supplemental pension plan provides that in the event of a change in control, participants will be entitled to a lump sum payment of amounts due under the plan if employment is terminated within 18 months of the change in control.

IMPACT OF PRIOR COMPENSATION

The Compensation Committee does not believe it is appropriate to consider the amounts realized or realizable from prior incentive compensation awards when establishing future levels of short-term and long-term incentive compensation.

TAX AND ACCOUNTING CONSIDERATIONS

When reviewing and adjusting the Company's compensation program, the Compensation Committee considers factors that may have an impact on the Company's financial performance, including tax and accounting rules. Section 162(m) of the Internal Revenue Code limits the tax deductibility of compensation that the Company pays to certain covered employees, generally including the NEOs, to \$1 million in any year per person. Although the Compensation Committee takes into consideration the provisions of Section 162(m), it believes that maintaining tax deductibility is only one consideration among many in the design of an effective executive compensation program. Accordingly, achieving the desired flexibility in the design and delivery of compensation may result in compensation that in certain cases is not deductible for federal income tax purposes.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

The Compensation Committee

Ulice Payne, Jr., Committee Chair

William M. Farrow III

Thomas J. Fischer

Executive Compensation Tables

The following table summarizes total compensation awarded to, earned by, or paid to WEC Energy Group's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and each of the other individuals identified in the table below (the "NEOs").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	(5) Stock Awards (\$)	(7) Option Awards (\$)	(8) Non-Equity Incentive Plan Compensation (\$)	(10) Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	(11)(12) All Other Compensation (\$)	Total (\$)	Total Without Change in Pension Value (\$)
J. Kevin Fletcher President and Chief Executive Officer	2020	1,068,828	—	2,388,372	720,763	2,717,859	11,082,248	158,101	18,136,171	7,098,443
	2019	975,939	—	1,421,449	385,495	2,433,884	3,958,141	87,193	9,262,101	5,349,308
	2018	504,733	—	521,122	109,816	792,078	739,652	52,100	2,719,501	2,023,895
Xia Liu ⁽¹⁾ Executive Vice President and CFO	2020	423,519	100,000 ⁽³⁾	1,678,010 ⁽³⁾	456,977	684,975	—	306,688	3,650,169	3,650,169
Scott J. Lauber Senior Executive Vice President and COO	2020	750,923	—	1,354,142	419,612	1,269,733	201,143	101,459	4,097,012	3,918,311
	2019	624,904	—	969,107	262,816	1,012,500	179,895	93,413	3,142,635	2,983,624
	2018	574,711	—	858,790	229,716	952,418	22,857	76,186	2,714,678	2,714,678
Gale E. Klappa Executive Chairman	2020	1,064,570	—	1,838,167	391,576	2,273,906	3,037,770	283,131	8,889,120	5,947,094
	2019	1,039,231	—	1,052,213	285,348	2,147,112	3,319,763	360,277	8,203,944	5,012,243
	2018	1,425,000	—	3,763,383	793,166	3,541,124	158,568	181,752	9,862,993	9,862,993
Margaret C. Kelsey Executive Vice President, General Counsel and Corporate Secretary	2020	564,702	—	734,188	221,561	861,570	2,500	157,591	2,542,112	2,542,112
	2019	540,651	—	638,867	173,264	821,263	162	123,830	2,298,037	2,298,037
	2018	515,000	—	596,445	159,538	746,535	41	88,223	2,105,782	2,105,782
Robert M. Garvin Executive Vice President - External Affairs	2020	487,598	—	554,688	167,396	644,740	97,486	81,927	2,033,835	1,940,242
	2019	457,956	50,000 ⁽⁴⁾	473,476	128,407	602,869	95,348	79,102	1,887,158	1,795,310
	2018	441,462	—	477,354	127,639	594,226	75,976	74,203	1,790,860	1,717,450
Frederick D. Kuester ⁽²⁾ Senior Executive Vice President	2020	426,124	—	3,714,572 ⁽⁶⁾	577,896	740,914 ⁽⁹⁾	1,230,091	219,661	6,909,258	5,697,255
	2019	804,846	—	1,634,632	443,330	1,385,606	1,321,225	151,184	5,740,823	4,448,830
	2018	638,481	—	1,476,294	297,827	1,267,350	33,485	266,998	3,980,435	3,980,435

Note: In order to show the effect that the year-over-year change in pension value had on total compensation, as determined under applicable SEC rules, we have included an additional column to show total compensation minus the change in pension value. The amounts reported in the Total Without Change in Pension Value column may differ substantially from the amounts reported in the Total column required under SEC rules and are not a substitute for total compensation. Total Without Change in Pension Value represents total compensation, as determined under applicable SEC rules, minus the change in pension value reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column. The change in pension value is subject to many external variables, such as interest rates, that are not related to Company performance. Therefore, we believe that total compensation minus the change in pension value provides helpful additional information for comparative purposes.

- (1) Ms. Liu was named Executive Vice President and Chief Financial Officer effective June 1, 2020. Therefore, no information has been provided for 2018 and 2019.
- (2) Mr. Kuester retired as Senior Executive Vice President effective July 1, 2020. The Company entered into a Consulting Agreement with Mr. Kuester, effective July 2, 2020 (the "Consulting Agreement").
- (3) In connection with her appointment as Executive Vice President and Chief Financial Officer, Ms. Liu received a signing bonus of \$100,000 and a one-time restricted stock award valued at \$400,000.
- (4) Reflects the adjustment made by the Compensation Committee to Mr. Garvin's 2019 STPP award to recognize Mr. Garvin's significant individual contributions and commitment to advancing the Company's legislative and regulatory matters in all four state jurisdictions during 2019.
- (5) The amounts reported reflect the aggregate grant date fair value, as computed in accordance with FASB ASC Topic 718 excluding estimated forfeitures, of performance units and/or restricted stock awarded to each NEO in the respective year for which such amounts are reported. The amounts reported for the performance units are based upon the probable outcome as of the grant date of associated performance and market conditions, and are consistent with our estimate, as of the grant date, of aggregate compensation cost to be recognized over the three-year performance period. The actual value received by the executives from these awards may range from \$0 to greater than the reported amounts, depending upon the Company's performance and the executive's number of additional years of service with the Company.

The value of the performance unit awards as of the grant date, assuming achievement of the highest level of performance and excluding any performance units resulting from short-term dividend equivalents and the Additional Performance Measure, for each of Messrs. Fletcher, Lauber, Klappa, and Garvin, and Mmes. Liu and Kelsey, is \$3,395,925, \$1,925,471, \$946,255, \$788,714, \$1,817,498, and \$1,043,872, respectively, for the 2020 awards. The value of the performance unit awards as of the grant date, assuming achievement of the highest level of performance and excluding any performance units resulting from short-term dividend equivalents and the Additional Performance Measure, for each of Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey, is \$2,021,184, \$1,378,021, \$673,228, and \$908,432, respectively, for the 2019 awards. See "Option Exercises and Stock Vested For Fiscal Year 2020" for the amount of the actual payout with respect to the 2018 award of performance units. Not included are the performance unit awards resulting from short-term

dividend equivalents and/or the Additional Performance Measure that may increase or, in the case of the Additional Performance Measure, decrease these amounts.

- (6) In connection with Mr. Kuester's 2020 retirement, and in light of his many contributions to the success of the Company, including his leadership and oversight of the Company's significant capital plan, the Compensation Committee accelerated the vesting of 20,931 shares of restricted stock previously awarded to him. The fair value associated with this acceleration was \$1,799,647, which is included in the reported amount.
- (7) The amounts reported reflect the aggregate grant date fair value, as computed in accordance with FASB ASC Topic 718 excluding estimated forfeitures, of options awarded to each NEO in the respective year for which such amounts are reported. The actual value received by the executives from these awards may range from \$0 to greater than the reported amounts, depending upon Company performance. In accordance with FASB ASC Topic 718, we made certain assumptions in our calculation of the grant date fair value of the stock options. See "Stock Options" in Note 1(n) -- Stock-Based Compensation, in the Notes to Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for a description of these assumptions. For 2020, the assumptions made in connection with the valuation of the stock options are the same as described in Note 1(n).
- (8) Consists of the annual incentive compensation earned under WEC Energy Group's STPP.
- (9) Represents the prorated amount of the annual incentive compensation earned by Mr. Kuester prior to his 2020 retirement.
- (10) The amounts reported for 2020, 2019, and 2018 reflect the aggregate change in the actuarial present value of each applicable NEO's accumulated benefit under all defined benefit plans from December 31, 2019 to December 31, 2020, December 31, 2018 to December 31, 2019, and December 31, 2017 to December 31, 2018, respectively. The amounts reported for all three years also include above-market earnings on compensation that is deferred by the NEOs into the Prime Rate Fund under WEC Energy Group's Executive Deferred Compensation Plan. Above-market earnings represent the difference between the interest rate used to calculate earnings under the Plan and 120% of the applicable federal long-term rate prescribed by the Internal Revenue Code. The amounts earned for 2020 are shown below.

Name	Change in Pension Value (\$)	Non-Qualified Deferred Compensation Earnings (\$)	Total (\$)
J. Kevin Fletcher	11,037,728	44,520	11,082,248
Xia Liu	—	—	—
Scott J. Lauber	178,701	22,442	201,143
Gale E. Klappa	2,942,026	95,744	3,037,770
Margaret C. Kelsey	—	2,500	2,500
Robert M. Garvin	93,593	3,893	97,486
Frederick D. Kuester	1,212,003	18,088	1,230,091

For 2020, 2019, and 2018, the applicable discount rate used to value pension plan liabilities moved from 3.40% to 2.65%, 4.30% to 3.40%, and 3.65% to 4.30%, respectively. As the discount rate decreases, the Company's pension funding obligation increases, and vice versa. The changes in the actuarial present values of the NEOs' pension benefits do not constitute cash payments to the NEOs.

The pension values reported represent only WEC Energy Group's obligation of the aggregate change in the actuarial present value of each NEO's accumulated benefit under all defined benefit plans. Messrs. Fletcher, Klappa, and Kuester are entitled to receive pension benefits from prior employers. To the extent such prior employers are unable to pay their pension obligations, WEC Energy Group may be obligated to pay the total amount.

Mr. Fletcher's increase in pension value reflects the increase in his 36 month average compensation as President and CEO, as well as the decrease in the discount rate for 2020.

- (11) During 2020, each NEO received financial planning services and the cost of an annual physical exam; Messrs. Fletcher, Lauber, and Klappa, and Ms. Liu, were provided with membership in a service that provides healthcare and safety management when traveling outside the United States. Although Mr. Klappa utilized the benefit of spousal travel for business purposes in 2020, there was no associated cost to the Company as Mr. Klappa was not eligible to receive reimbursement for taxes paid on imputed income attributable to him for such travel. Ms. Liu also received relocation benefits in the amount of \$42,502 in connection with her move to Milwaukee, Wisconsin.
- (12) For Mr. Klappa, the amount reported in All Other Compensation for 2020 includes \$25,747 attributable to WEC Energy Group's Directors' Charitable Awards Program in connection with Mr. Klappa's service on the Company's Board. See "Director Compensation" for a description of the Directors' Charitable Awards Program.

All Other Compensation for Messrs. Fletcher, Lauber, Klappa, and Garvin, and Mmes. Liu and Kelsey, for 2020 also consists of:

- Employer matching of contributions into the WEC Energy Group 401(k) plan in the amount of \$11,400 for Messrs. Fletcher, Lauber, Klappa, Garvin and Kuester, and Ms. Kelsey, and \$4,615 for Ms. Liu;
- Employer contributions into the WEC Energy Group 401(k) plan in the amount of \$17,100 for Messrs. Klappa and Kuester, and Mmes. Liu and Kelsey, and into the WEC Energy Group Non-Qualified Retirement Savings Plan in the amount of \$7,477 for Ms. Liu, \$177,011 for Mr. Klappa, \$66,835 for Ms. Kelsey, and \$93,818 for Mr. Kuester. These payments are in lieu of participation in the Company's pension plan;
- "Make-whole" payments under the Executive Deferred Compensation Plan that provides a match at the same level as the WEC Energy Group 401(k) plan (4% for up to 7% of wages) for all deferred salary and bonus not otherwise eligible for a match in the amounts of \$129,653 for Mr. Fletcher, \$59,619 for Mr. Lauber, \$35,652 for Mr. Klappa, \$44,557 for Ms. Kelsey, and \$34,649 for Mr. Garvin;
- Retirement income supplement contributed to a nonqualified account in the amount of \$225,000 for Ms. Liu. See "Ms. Liu's Retirement Income Supplement" on page P-65 for a description of this benefit;
- Payments totaling \$89,536 to Mr. Kuester under his Consulting Agreement; and
- Tax reimbursements or "gross-ups" for all applicable prerequisites in the amount of \$13,963 and \$16,862 for Messrs. Lauber and Garvin, respectively.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2020

The following table shows additional data regarding incentive plan awards to the NEOs in 2020.

Name	Grant Date	Action Date ⁽¹⁾	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽²⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽³⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽⁴⁾	All Other Option Awards ⁽⁵⁾			Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		Number of Securities Underlying Options (#)	Exercise or Base Price ⁽⁶⁾ (\$/Sh)	Closing Market Price (\$/Sh)	
J. Kevin Fletcher	1/16/20	—	329,438	1,317,750	2,767,275	—	—	—	—	—	—	—	—
	1/2/20	12/5/19	—	—	—	5,303	21,211	37,119	—	—	—	—	1,940,541
	1/2/20	12/5/19	—	—	—	—	—	—	4,895	—	—	—	447,831
	1/2/20	12/5/19	—	—	—	—	—	—	—	66,614	91.4875	90.67	720,763
Xia Liu	3/31/20	—	83,027	332,109	697,429	—	—	—	—	—	—	—	—
	6/1/20	3/31/20	—	—	—	2,813	11,250	19,688	—	—	—	—	1,038,544
	6/1/20	3/31/20	—	—	—	—	—	—	6,927	—	—	—	639,466
	6/1/20	3/31/20	—	—	—	—	—	—	—	36,705	92.315	93.13	456,977
Scott J. Lauber	1/16/20	—	153,907	615,628	1,292,819	—	—	—	—	—	—	—	—
	1/2/20	12/5/19	—	—	—	2,581	10,323	18,065	—	—	—	—	944,425
	1/2/20	12/5/19	—	—	—	—	—	—	2,382	—	—	—	217,923
	1/2/20	12/5/19	—	—	—	—	—	—	—	32,420	91.4875	90.67	350,784
	7/1/20	6/29/20	—	—	—	440	1,760	3,080	—	—	—	—	155,844
	7/1/20	6/29/20	—	—	—	—	—	—	406	—	—	—	35,950
	7/1/20	6/29/20	—	—	—	—	—	—	—	5,750	88.5475	89.33	68,828
Gale E. Klappa	1/16/20	—	275,625	1,102,500	2,315,250	—	—	—	—	—	—	—	—
	1/2/20	12/5/19	—	—	—	1,478	5,910	10,343	—	—	—	—	540,691
	1/2/20	12/5/19	—	—	—	—	—	—	14,182	—	—	—	1,297,476
	1/2/20	12/5/19	—	—	—	—	—	—	—	36,190	91.4875	90.67	391,576
Margaret C. Kelsey	1/16/20	—	104,433	417,731	877,235	—	—	—	—	—	—	—	—
	1/2/20	12/5/19	—	—	—	1,630	6,520	11,410	—	—	—	—	596,499
	1/2/20	12/5/19	—	—	—	—	—	—	1,505	—	—	—	137,689
	1/2/20	12/5/19	—	—	—	—	—	—	—	20,477	91.4875	90.67	221,561
Robert M. Garvin	1/16/20	—	78,150	312,601	656,462	—	—	—	—	—	—	—	—
	1/2/20	12/5/19	—	—	—	1,232	4,926	8,621	—	—	—	—	450,667
	1/2/20	12/5/19	—	—	—	—	—	—	1,137	—	—	—	104,021
	1/2/20	12/5/19	—	—	—	—	—	—	—	15,471	91.4875	90.67	167,396
Frederick D. Kuester	1/16/20	—	89,808	359,231	754,385	—	—	—	—	—	—	—	—
	1/2/20	12/5/19	—	—	—	—	—	—	20,931	—	—	—	1,914,925
	1/2/20	12/5/19	—	—	—	—	—	—	—	53,410	91.4875	90.67	577,896

(1) On December 5, 2019, the Compensation Committee awarded the annual 2020 option, restricted stock, and performance unit grants effective the first trading day of 2020 (January 2, 2020). On March 31, 2020, the Compensation Committee awarded stock option, restricted stock, and performance unit grants effective June 1, 2020, to Ms. Liu. In addition, in connection with Mr. Lauber's appointment as Chief Operating Officer, on June 29, 2020, the Compensation Committee awarded Mr. Lauber stock option, restricted stock, and performance unit grants effective July 1, 2020.

(2) Non-equity incentive plan awards consist of annual incentive awards under WEC Energy Group's STPP. For a more detailed description of the STPP, see the Compensation Discussion and Analysis. For Mr. Kuester, these represent prorated amounts to account for his 2020 retirement.

(3) Consists of performance units awarded under the WEC Energy Group Performance Unit Plan. WEC Energy Group's Performance Unit Plan provides for short-term dividend equivalents. The number of performance units awarded will be increased as of any date that WEC Energy Group declares a cash dividend on its common stock by the amount of short-term dividend equivalents awarded. In effect, short-term dividend equivalents will be credited and accumulated as reinvested dividends on each performance unit so that the performance units and accumulated dividends will be paid out at the end of the performance units' three-year performance period, contingent upon the Company's performance. Therefore, the number of performance units reported at each of the threshold, target, and maximum levels in this table will increase by the number of short-term dividend equivalents earned. In addition, these amounts do not reflect any potential impact of the Company's performance against the Additional Performance Measure. For a more detailed description of the performance units, short-term dividend equivalents, and Additional Performance Measure, see the Compensation Discussion and Analysis.

(4) Consists of restricted stock awarded under the 1993 Omnibus Stock Incentive Plan. For a more detailed description of the terms of the restricted stock, see the Compensation Discussion and Analysis.

(5) Consists of non-qualified stock options to purchase shares of WEC Energy Group common stock pursuant to the 1993 Omnibus Stock Incentive Plan. For a more detailed description of the terms of the options, see the Compensation Discussion and Analysis.

(6) The exercise price of the option awards is equal to the fair market value of WEC Energy Group's common stock on the date of grant. Fair market value is the average of the high and low prices of WEC Energy Group common stock, which is listed on the New York Stock Exchange, reported by Bloomberg, LLP on the grant date.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2020

The following table reflects the number and value of exercisable and unexercisable options as well as the number and value of other equity awards held by the NEOs at fiscal year-end 2020.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options: Exercisable (#)	Number of Securities Underlying Unexercised Options: Unexercisable ⁽¹⁾ (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested ⁽²⁾ (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested ⁽³⁾ (\$)
J. Kevin Fletcher	17,345	—	—	58.305	1/3/27	—	—	—	—
	—	16,055	—	66.015	1/2/28	—	—	—	—
	—	44,825	—	68.175	1/2/29	—	—	—	—
	—	66,614	—	91.4875	1/2/30	—	—	—	—
	—	—	—	—	—	7,994	735,688	—	—
	—	—	—	—	—	—	—	32,506	2,991,527
Xia Liu	—	36,705	—	92.315	6/1/30	—	—	22,515	2,072,055
	—	—	—	—	—	6,927	637,492	—	—
	—	—	—	—	—	—	—	11,781	1,084,205
Scott J. Lauber	5,000	—	—	41.025	1/2/24	—	—	—	—
	5,330	—	—	52.895	1/2/25	—	—	—	—
	6,720	—	—	50.925	1/4/26	—	—	—	—
	17,320	—	—	58.305	1/3/27	—	—	—	—
	—	26,465	—	66.015	1/2/28	—	—	—	—
	—	30,560	—	68.175	1/2/29	—	—	—	—
	—	32,420	—	91.4875	1/2/30	—	—	—	—
	—	5,750	—	88.5475	7/1/30	—	—	—	—
	—	—	—	—	—	5,378	494,937	—	—
	—	—	—	—	—	—	—	22,162	2,039,569
Gale E. Klappa	50,000	—	—	52.895	1/2/25	—	—	12,801	1,178,076
	46,074	—	—	50.925	1/4/26	—	—	—	—
	—	115,960	—	66.015	1/2/28	—	—	—	—
	—	33,180	—	68.175	1/2/29	—	—	—	—
	—	36,190	—	91.4875	1/2/30	—	—	—	—
	—	—	—	—	—	14,182	1,305,169	—	—
	—	—	—	—	—	—	—	6,273	577,304
Margaret C. Kelsey	—	18,380	—	66.015	1/2/28	—	—	—	—
	—	20,147	—	68.175	1/2/29	—	—	—	—
	—	20,477	—	91.4875	1/2/30	—	—	—	—
	—	—	—	—	—	3,242	298,361	—	—
	—	—	—	—	—	—	—	14,610	1,344,558
Robert M. Garvin	—	—	—	—	—	—	—	6,921	636,940
	14,270	—	—	52.895	1/2/25	—	—	—	—
	17,210	—	—	50.925	1/4/26	—	—	—	—
	14,185	—	—	58.305	1/3/27	—	—	—	—
	—	14,705	—	66.015	1/2/28	—	—	—	—
	—	14,931	—	68.175	1/2/29	—	—	—	—
	—	15,471	—	91.4875	1/2/30	—	—	—	—
	—	—	—	—	—	2,457	226,118	—	—
—	—	—	—	—	—	—	10,828	996,501	
Frederick D. Kuester	53,410	—	—	91.4875	1/2/30	—	—	5,229	481,225
	—	—	—	—	—	—	—	—	—

⁽¹⁾ All options reported in this column were granted ten years prior to their respective expiration date and vest 100% on the third anniversary of the grant date.

⁽²⁾ Effective January 2, 2018, Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey, were granted restricted stock awards of 1,479; 2,439; 1,356; and 1,695 shares, respectively, which began vesting in three equal annual installments on January 2, 2019. Effective January 2, 2019, Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey, were granted restricted stock awards of 3,909; 2,665; 1,302; and 1,757 shares, respectively, which began vesting in three equal annual installments on January 2, 2020. Effective January 2, 2020, Messrs. Fletcher, Lauber, and Garvin, and Ms. Kelsey, were granted restricted stock awards of 4,895; 2,382; 1,137; and 1,505 shares, respectively, which began vesting in three equal annual installments on January 2, 2021. Effective

January 2, 2020, Messrs. Klappa and Kuester were granted restricted stock awards of 14,182 and 20,931 shares, respectively. Mr. Klappa's 2020 restricted stock grant vested 100% on January 2, 2021. In connection with his retirement effective July 1, 2020, the Compensation Committee accelerated the vesting of all of Mr. Kuester's unvested restricted stock. Effective June 1, 2020, Ms. Liu was granted a restricted stock award of 6,927 shares, which will begin vesting in three equal annual installments on June 1, 2021. Effective July 1, 2020, Mr. Lauber was granted a restricted stock award of 406 shares, which will begin vesting in three equal annual installments on July 1, 2021. The vesting of the restricted stock granted to Messrs. Fletcher, Lauber, and Garvin, and Mmes. Liu and Kelsey, may be accelerated in connection with a termination of employment due to a change in control, death or disability, or by action of the Compensation Committee.

- (3) The number of performance units reported were awarded in 2019 (first line) and 2020 (second line) and vest at the end of the three-year performance period ending December 31, 2021 and December 31, 2022, respectively. The number of performance units reported and their corresponding value are based upon a payout at the maximum amount for 2019 and target amount for 2020. The number and value of the 2019 performance units includes performance units resulting from the grant of short-term dividend equivalents and achievement of the Additional Performance Measure in 2019 and 2020. The number and value of the 2020 performance units includes performance units resulting from the grant of short-term dividend equivalents and achievement of the Additional Performance Measure in 2020.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL YEAR 2020

This table shows the number and value of (1) stock options that were exercised by the NEOs, (2) restricted stock awards that vested, and (3) performance units that vested in 2020.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ⁽¹⁾ (\$)	Number of Shares Acquired on Vesting ⁽²⁾ (#)	Value Realized on Vesting ⁽³⁾⁽⁴⁾ (\$)
J. Kevin Fletcher	—	—	2,370	216,612
	—	—	11,179	1,028,793
Xia Liu	—	—	—	—
	—	—	—	—
Scott J. Lauber	—	—	2,274	207,829
	—	—	18,419	1,695,143
Gale E. Klappa	144,756	7,407,974	15,434	1,412,018
	—	—	—	—
Margaret C. Kelsey	—	—	1,150	105,211
	—	—	12,791	1,177,138
Robert M. Garvin	58,575	3,701,992	1,355	123,791
	—	—	10,238	942,191
Frederick D. Kuester	101,605	4,146,295	44,908 ⁽⁵⁾	4,046,984 ⁽⁵⁾
	—	—	—	—

(1) Value realized upon the exercise of options is determined by multiplying the number of shares received upon exercise by the difference between the market price of WEC Energy Group common stock at the time of exercise and the exercise price.

(2) Reflects the number of shares of restricted stock that vested in 2020 (first line) and the number of performance units that vested as of December 31, 2020, the end of the applicable three-year performance period (second line). The performance units were settled in cash.

(3) Restricted stock value realized is determined by multiplying the number of shares of restricted stock that vested by the fair market value of WEC Energy Group common stock on the date of vesting. We compute fair market value as the average of the high and low prices of WEC Energy Group common stock reported by Bloomberg, LLP on the vesting date.

(4) Performance unit value realized is determined by multiplying the number of performance units that vested by the closing market price of WEC Energy Group common stock on December 31, 2020, the last trading day of the year.

(5) Includes 20,931 shares of restricted stock for which the Compensation Committee accelerated vesting effective July 1, 2020. The value realized by Mr. Kuester in connection with this acceleration was \$1,853,388, and was determined using the average of the high and low prices of WEC Energy Group common stock on July 1, 2020.

PENSION BENEFITS AT FISCAL YEAR-END 2020

The following table sets forth information for each NEO regarding their pension benefits at fiscal year-end 2020 under WEC Energy Group's three different retirement plans discussed below.

Name	Plan Name	Number of Years Credited Service ⁽¹⁾ (#)	Present Value of Accumulated Benefit ⁽⁵⁾⁽⁶⁾ (\$)	Payments During Last Fiscal Year ⁽⁷⁾ (\$)
J. Kevin Fletcher	WEC Energy Group Plan	9.17	195,511	—
	SERP	9.17	636,743	—
	Individual Letter Agreement	43.75	19,894,812	—
Xia Liu ⁽²⁾	WEC Energy Group Plan	—	—	—
	SERP	—	—	—
	Individual Letter Agreement	—	—	—
Scott J. Lauber	WEC Energy Group Plan	30.50	714,792	—
	SERP	30.50	293,793	—
	Individual Letter Agreement	—	—	—
Gale E. Klappa ⁽³⁾	WEC Energy Group Plan	13.0	294,734	—
	SERP	—	3,505,479	263,731
	Individual Letter Agreement	38.67	24,585,168	1,849,639
Margaret C. Kelsey ⁽²⁾	WEC Energy Group Plan	—	—	—
	SERP	—	—	—
	Individual Letter Agreement	—	—	—
Robert M. Garvin	WEC Energy Group Plan	9.67	203,958	—
	SERP	9.67	432,906	—
	Individual Letter Agreement	9.67	82,488	—
Frederick D. Kuester ⁽⁴⁾	WEC Energy Group Plan	—	—	—
	SERP	9.17	955,149	61,739
	Individual Letter Agreement	40.33	10,238,098	661,782

⁽¹⁾ Years of service are computed as of December 31, 2020, the pension plan measurement date used for financial statement reporting purposes. Mr. Fletcher has been credited with 34.58 years of service pursuant to the terms of his Individual Letter Agreement ("ILA"). Prior to his retirement in May 2016, Mr. Klappa was credited with 25.67 years of service pursuant to the terms of his ILA. Prior to his 2013 retirement, Mr. Kuester was credited with 31.16 years of service pursuant to the terms of his ILA. The increase in the aggregate amount of each of Messrs. Fletcher's, Klappa's, and Kuester's accumulated benefit under all of WEC Energy Group's retirement plans resulting from the additional years of credited service is \$15,861,467, \$20,981,171, and \$8,192,804, respectively.

⁽²⁾ Mmes. Liu and Kelsey are not eligible to receive pension benefits under the WEC Energy Group Plan.

⁽³⁾ Upon his retirement in May 2016, Mr. Klappa's ILA terminated. At that time, the number of years of credited service and the accumulated benefit effectively transferred to the WEC Energy Group Plan and the SERP. Payments related to the ILA were actually paid under the WEC SERP. Mr. Klappa is not accruing additional benefits under these plans in connection with his current service.

⁽⁴⁾ Upon his 2013 retirement, Mr. Kuester's ILA terminated. At that time, the number of years of credited service and the accumulated benefit effectively transferred to the WEC Energy Group Plan and the SERP. Payments related to the ILA were actually paid under the WEC SERP. Mr. Kuester is not accruing additional benefits under these plans in connection with his current service.

⁽⁵⁾ The key assumptions used in calculating the actuarial present values reflected in this column are:

- Earliest projected unreduced retirement age based upon projected service:
 - For Mr. Fletcher, age 65.
 - For Mr. Lauber, age 60.
 - For Mr. Klappa, age 65.67 (actual age at retirement in 2016).
 - For Mr. Garvin, age 54.75.
 - For Mr. Kuester, age 62.42 (actual age at retirement in 2013).
- Discount rate of 2.65%.
- Cash balance interest crediting rate of 5.00%.
- Form of payment:
 - Mr. Fletcher: WEC Energy Group Plan 50% lump sum / 50% life annuity; SERP and ILA - Life annuity
 - Mr. Lauber: WEC Energy Group Plan 50% lump sum / 50% life annuity; SERP - Ten Year Annual Installment
 - Mr. Klappa's actual form of payment elected at retirement: WEC Energy Group Plan, SERP, and ILA - Single Life annuity
 - Mr. Garvin: WEC Energy Group Plan 50% lump sum / 50% life annuity; SERP and ILA - Five Year Annual Installment.
 - Mr. Kuester's actual form of payment elected at retirement: WEC Energy Group Plan - Lump Sum; SERP and ILA - 50% Joint & Survivor annuity
- Mortality Table for life annuity - Pri-2012/ Male/White Collar as published by the Society of Actuaries with modified MP2020 projection.

⁽⁶⁾ WEC Energy Group's pension benefit obligations to Messrs. Fletcher, Klappa, and Kuester will be partially offset by pension benefits they are entitled to receive from their former employers. The amounts reported for Messrs. Fletcher, Klappa, and Kuester represent only WEC Energy Group's obligation of the aggregate actuarial present value of each of their accumulated benefit under all of the plans. The total aggregate actuarial present value of each of Messrs. Fletcher's, Klappa's, and Kuester's accumulated benefit under all of the plans is \$23,765,007, \$33,244,305, and \$14,665,203, respectively, \$3,037,941, \$4,858,924, and \$3,471,956 of which we estimate the prior employer is obligated to pay. If Messrs. Fletcher, Klappa, and Kuester's former employer becomes unable to pay its portion of his respective accumulated pension benefit, WEC Energy Group may be obligated to pay the total amount.

⁽⁷⁾ Messrs. Klappa and Kuester continued to receive retirement benefits under the SERP; however, payments under the WEC Energy Group Plan were suspended for Mr. Klappa at the time he resumed his role as an executive officer with the Company. Mr. Kuester's entire WEC Energy Group Plan balance was previously paid in the form of a lump sum; therefore no further benefit exists for him in this plan.

RETIREMENT PLANS

WEC Energy Group maintains four different plans providing for retirement payments and benefits for the NEOs: a defined benefit pension plan of the cash balance type (“WEC Energy Group Plan”); a supplemental executive retirement plan (“SERP”); ILAs; and the WEC Energy Group Retirement Savings Plan, which is a 401(k) plan, for those individuals who are not eligible to participate in the WEC Energy Group Plan. The compensation currently considered for purposes of the retirement plans (other than the WEC Energy Group Plan and SERP) for Mr. Fletcher is \$2,140,683. This amount represents the average compensation (consisting of base salary and annual incentive compensation) for the 36 highest consecutive months. For Messrs. Lauber and Garvin, the compensation considered for purposes of the retirement plans is \$1,775,481 and \$1,151,234, respectively, of which \$285,000 is applied to the WEC Energy Group Plan and the remainder to the SERP. These amounts represent their 2020 base salary, plus their 2019 STPP award paid in 2020. As of December 31, 2020, Messrs. Fletcher, Lauber, and Garvin currently have or are considered to have 43.75, 30.5, and 9.67 credited years of service, respectively, under the various plans described below. Messrs. Lauber and Garvin were not granted additional years of credited service.

See below for a discussion of the contributions made to the WEC Energy Group Retirement Savings Plan on behalf of Messrs. Klappa and Kuester, and Mmes. Liu and Kelsey, who do not participate in the WEC Energy Group Plan.

The WEC Energy Group Plan

Many of our regular full-time and part-time employees, including several of the NEOs, participate in the WEC Energy Group Plan. The WEC Energy Group Plan bases a participant’s defined benefit pension on the value of a hypothetical account balance. For individuals participating in the WEC Energy Group Plan as of December 31, 1995, a starting account balance was created equal to the present value of the benefit accrued as of December 31, 1994, under the plan benefit formula prior to the change to a cash balance approach. That formula provided a retirement income based on years of credited service and average compensation (consisting of base salary and annual incentive compensation) for the 36 highest consecutive months, with an adjustment to reflect the Social Security integrated benefit. In addition, individuals participating in the WEC Energy Group Plan as of December 31, 1995, received a special one-time transition credit amount equal to a specified percentage varying with age multiplied by credited service and 1994 base pay.

The present value of the accrued benefit as of December 31, 1994, plus the transition credit, was also credited with interest at a stated rate. For 1996 through 2007, a participant received annual credits to the account equal to 5% of base pay (including WEC Energy Group 401(k) plan pre-tax deferrals and other items), plus an interest credit on all prior accruals equal to 4% plus 75% of the annual time-weighted trust investment return for the year in excess of 4%. From 2008 through 2013, the interest credit percentage was set at either the long-term corporate bond third segment rate, published by the Internal Revenue Service, or 4%, whichever was greater.

Effective January 1, 2014, participants receive an annual credit to the account equal to 6% of base pay (including WEC Energy Group 401(k) plan pre-tax deferrals and other items), plus an interest credit on all prior accruals equal to a 5% fixed rate. For participants in the WEC Energy Group Plan on December 31, 2007 and December 31, 2013, their WEC Energy Group Plan benefit will never be less than the benefit accrued as of December 31, 2007 and December 31, 2013, respectively. The WEC Energy Group Plan benefit will be calculated under all three formulas to provide participants with the greater benefit; however, in calculating a participant’s benefit accrued as of December 31, 2007 and December 31, 2013, interest credits as defined under each of the prior WEC Energy Group Plan formulas will be taken into account but not any additional pay credits.

Participants who were “grandfathered” as of December 31, 1995, as discussed below, will still receive the greater of the grandfathered benefit or the cash balance benefit.

The life annuity payable under the WEC Energy Group Plan is determined by converting the hypothetical account balance credits into annuity form.

Individuals who were participants in the WEC Energy Group Plan on December 31, 1995 were “grandfathered” so that they will not receive any lower retirement benefit than would have been provided under the formula in effect through December 31, 1995, had it continued. This amount continued to increase until December 31, 2010, at which time it was frozen. Upon retirement, participants will receive the greater of this frozen amount or the accumulated cash balance.

For Mr. Lauber, estimated benefits under the grandfathered formula are higher than under the cash balance plan formula. Messrs. Fletcher and Garvin do not participate in the grandfathered formula.

Under the WEC Energy Group Plan, participants receive unreduced pension benefits upon reaching one of the following three thresholds: (1) age 65; (2) age 62 with 30 years of service; or (3) age 60 with 35 years of service.

Pursuant to the Internal Revenue Code, only \$285,000 of pension eligible earnings (base pay and annual incentive compensation) could be considered for purposes of the WEC Energy Group Plan in 2020.

Supplemental Executive Retirement Plans and Individual Letter Agreements

Designated officers of WEC Energy Group, including all of the NEOs (other than Mmes. Liu and Kelsey) participate in the SERP, which is part of the Supplemental Pension Plan (the "SPP") adopted to comply with Section 409A of the Internal Revenue Code. The SERP provides monthly supplemental pension benefits to participants, which will be paid out of unsecured corporate assets, or the grantor trust described below, in an amount equal to the difference between the actual pension benefit payable under the WEC Energy Group Plan and what such pension benefit would be if calculated without regard to any limitation imposed by the Internal Revenue Code on pension benefits or covered compensation, including amounts deferred to the WEC Energy Group Executive Deferred Compensation Plan. Except for a "change in control" of WEC Energy Group, as defined in the SPP, and pursuant to the terms of the ILAs discussed below, no payments are made until after the participant's retirement at or after age 60 or death. If a participant in the SERP dies prior to age 60, his or her beneficiary is entitled to receive retirement benefits under the SERP. Although Messrs. Klappa and Kuester remain participants in the SPP, they no longer accrue any benefits under the plan as a result of their earlier retirements in 2016 and 2013, respectively.

WEC Energy Group entered into an agreement with Mr. Fletcher when he first commenced employment in 2011 to provide him with supplemental retirement benefits upon his retirement, provided he completed one year of service with the Company. The supplemental retirement payments are intended to make the total retirement benefits payable to Mr. Fletcher comparable to that which would have been received under his prior employer's defined benefit pension plan, calculated without regard to Internal Revenue Code limits, and as if Mr. Fletcher's employment continued with the prior employer and the defined benefit formula then in effect under the prior employer's plan continued to his retirement. The retirement benefits payable as a result of this agreement will be offset by the value of any qualified and non-qualified defined benefit pension plan of the prior employer.

WEC Energy Group entered into an individual letter agreement with Mr. Klappa when he first commenced employment in 2003 to provide him with supplemental retirement benefits upon retirement at or after age 60. The supplemental retirement payments are intended to make the total retirement benefits payable to Mr. Klappa comparable to that which would have been received under the WEC Energy Group Plan as in effect on December 31, 1995, had the defined benefit formula then in effect continued until his retirement, calculated without regard to Internal Revenue Code limits, and as if Mr. Klappa had started participation in the WEC Energy Group Plan at age 27. As a result, pursuant to the terms of the agreement, which terminated upon Mr. Klappa's retirement in May 2016, Mr. Klappa had 38.67 years of credited service under the WEC Energy Group Plan and the SERP upon his retirement.

WEC entered into an individual letter agreement with Mr. Kuester when he first commenced employment in 2003 that was similar to Mr. Klappa's agreement to provide him with supplemental retirement benefits upon retirement at or after age 60. Pursuant to the terms of the agreement, which terminated upon Mr. Kuester's first retirement in January 2013, Mr. Kuester's benefits under the WEC Energy Group Plan and the SERP are being paid under the prior plan benefit formula as in effect on December 1, 1995, and as if Mr. Kuester had started with WEC Energy Group at age 22. As a result, Mr. Kuester had 40.33 years of credited service under the WEC Energy Group Plan and the SERP upon his retirement in January 2013.

The Company entered into an agreement with Mr. Garvin when he was hired in April 2011 that provides for a supplemental pension benefit account, which was credited with \$50,000. This account is credited with interest annually at the same rate as the WEC Energy Group Plan. The account balance will vest at the earliest to occur of Mr. Garvin attaining age 60 or completion of 10 years of service.

The purpose of these agreements was to ensure that Messrs. Fletcher, Klappa, Garvin, and Kuester did not lose pension earnings by joining the executive management team at WEC Energy Group they otherwise would have received from their former employers. Without providing a means to retain these pension benefits, it would have been difficult for WEC Energy Group to attract these officers.

The SPP provides for a mandatory lump sum payment upon a change in control if the executive's employment is terminated within 18 months after the change in control. The Wisconsin Energy Corporation 2014 Rabbi Trust, a grantor trust, funds certain non-qualified benefits, including the SPP and the ILAs, as well as the Executive Deferred Compensation Plan and the Directors' Deferred Compensation Plan. See "Potential Payments upon Termination or Change in Control" later in this proxy statement for additional information.

Ms. Liu's Retirement Income Supplement

WEC Energy Group entered into an employment agreement with Ms. Liu when she commenced employment in June 2020 that provides for a retirement income supplement. Pursuant to the agreement, WEC Energy Group will credit \$225,000 annually to a nonqualified account. The annual credit plus interest will continue until the year in which Ms. Liu ceases employment or reaches age 62. The balance at separation or age 62 will be frozen and will not exceed \$3,000,000. On January 1 of each year, the account will be credited with interest at the annual average prime rate, not to exceed 5%. Amounts credited to the account will vest at age 55, and will be distributed at Ms. Liu's retirement or other separation. Administration of this benefit is intended to comply with Section 409A of the Internal Revenue Code. The purpose of providing this benefit under Ms. Liu's agreement was to ensure that she did not lose retirement benefits by joining the executive management team at the Company she otherwise would have accrued and received from her former employer.

WEC Energy Group Retirement Savings Plan

Effective January 1, 2015, all newly hired management employees, including executive officers, will receive an annual contribution equal to 6% of pension-eligible wages from the Company into WEC Energy Group's 401(k) plan rather than participate in the WEC Energy Group Plan. Pension-eligible wages consist of annual base salary and STPP payouts. In connection with this plan, the Compensation Committee adopted the WEC Energy Group Non-Qualified Retirement Savings Plan which provides "make-whole" benefits to address Internal Revenue Code limits on the amount of money that can be contributed to a 401(k) plan.

Since Messrs. Klappa and Kuester are considered new employees, they no longer accrue additional benefits under the WEC Energy Group Plan. Mr. Klappa, along with Mmes. Liu and Kelsey, are entitled to receive Company contributions to the 401(k) plan and Non-Qualified Retirement Savings Plan. Mr. Kuester accrued benefits in these two plans until his retirement on July 1, 2020.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL YEAR 2020

The following table reflects activity by the NEOs during 2020 in WEC Energy Group's Executive Deferred Compensation Plan discussed below.

Name	Executive Contributions in Last Fiscal Year ⁽¹⁾ (\$)	Registrant Contributions in Last Fiscal Year ⁽¹⁾ (\$)	Aggregate Earnings In Last Fiscal Year (\$)	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at Last Fiscal Year-End ⁽²⁾ (\$)
J. Kevin Fletcher	1,326,185	129,653	167,061	—	5,148,421
Xia Liu	—	—	—	—	—
Scott J. Lauber	334,005	59,619	118,491	—	2,621,236
Gale E. Klappa	65,019	35,652	224,664	1,034,434	5,465,292
Margaret C. Kelsey	97,924	44,557	4,651	—	511,821
Robert M. Garvin	80,586	34,649	32,356	—	1,176,698
Frederick D. Kuester	—	—	32,604	311,350	622,700

⁽¹⁾ All of the amounts are reported as compensation in the "Summary Compensation Table" of this proxy statement.

⁽²⁾ \$1,809,872, \$710,303, \$7,107,296, \$484,544, \$2,350,309, and \$108,459 of the reported amounts were reported as compensation in the Summary Compensation Tables in prior proxy statements for Messrs. Fletcher, Lauber, Klappa, Garvin, and Kuester, and Ms. Kelsey, respectively. Ms. Liu became a named executive officer in 2020; therefore, no amounts were previously reported in prior proxy statements for her. The amounts reported in this column for Messrs. Klappa and Kuester are lower than these previously reported amounts because Messrs. Klappa and Kuester have been receiving distributions under the WEC Energy Group Executive Deferred Compensation Plan. The amount for Ms. Kelsey includes a \$150,000 contribution from WEC Energy Group in 2017 that vested in 2020 upon Ms. Kelsey's third anniversary with the Company.

Executive Deferred Compensation Plan

WEC Energy Group maintains two executive deferred compensation plans in which the NEOs participate: the Legacy WEC Energy Group Executive Deferred Compensation Plan (the "Legacy EDCP"), and the WEC Energy Group Executive Deferred Compensation Plan (the "EDCP") adopted effective January 1, 2005 to comply with Section 409A of the Internal Revenue Code. The Legacy EDCP provides that (1) amounts earned, deferred, vested, credited, and/or accrued as of December 31, 2004 are preserved and frozen (subject to appreciation in value of such amounts) so that these amounts are exempt from Section 409A and (2) no new employees may participate in the Legacy EDCP as of January 1, 2005. Since January 1, 2005, all deferrals have been made to the EDCP. The provisions of the EDCP as in effect on December 31, 2020 are described below, as are the payout provisions of the Legacy EDCP.

The EDCP. Under the plan, a participant may defer up to 50% of his or her base salary, annual incentive compensation and vested awards of performance units. Stock option gains and vested restricted stock may not be deferred into the EDCP. Generally, deferral elections are made annually by each participant for the upcoming plan year. The Company maintains detailed records tracking each participant's "account balance." In addition to deferrals made by the participants, the Company may also credit each participant's account balance by matching a certain portion of each participant's deferral. Such deferral matching is determined by a formula taking into account the matching rate applicable under the Company's 401(k) plan, the percentage of compensation subject to such matching rate, the participant's gross compensation eligible for matching, and the amount of eligible compensation actually deferred. Also, in our discretion, the Company may credit any other amounts, as appropriate, to each participant's account.

Participants may elect to participate in the WEC Energy Group Common Stock Fund and/or the Prime Rate Fund. The Company tracks each participant's account balance as though the balance was actually invested in these funds. Fund elections are not actual investments, but are elections chosen only for purposes of calculating market gain or loss on deferred amounts for the duration of the deferral period. Each participant may select the amount of deferred compensation to be allocated among the two measurement funds. Contributions and deductions may be made to each participant's account based on the performance of the measurement fund(s) elected.

The annual rate of return for the calendar year ended December 31, 2020 for the WEC Energy Group Common Stock Fund and the Prime Rate Fund was (.21%) and 3.62%, respectively.

Each participant's account balance is debited or credited periodically based on the performance of the measurement fund(s) elected by the participant. Subject to certain restrictions, participants may periodically make changes to their measurement fund elections.

At the time of his or her deferral election, each participant may designate a prospective payout election for any or the entire amount deferred, plus any amounts debited or credited to the deferred amount as of the designated payout. Amounts deferred into the EDCP may not be withdrawn at the discretion of the participant and a change to the designated payout delays the initial payment at least five years beyond the originally designated payout date. In addition, the Company may not limit payout amounts in order to deduct such amounts under Section 162(m) of the Internal Revenue Code.

The balance of a participant's account is payable on his or her retirement in either a lump sum payout or in annual installments, at the election of the participant. Upon the death of a participant after retirement, payouts are made to the deceased participant's beneficiary in the same manner as though such payout would have been made to the participant had the participant survived. In the event of a participant's termination of employment prior to retirement, the participant may elect to receive a payout beginning the year after termination in the amount of his or her account balance as of the termination date either in a lump sum or in annual installments over a period of five years. Disability is not itself a payment event until the participant terminates employment with WEC Energy Group or its subsidiaries. A participant's account balance will be paid out in a lump sum if the participant separates from service with WEC Energy Group or its subsidiaries within 18 months after a change in control of WEC Energy Group, as defined in the plan. The deferred amounts will be paid out of the general corporate assets or the assets of the Wisconsin Energy Corporation 2014 Rabbi Trust.

The Legacy EDCP. At the time of his or her deferral election, each participant designated a prospective payout election for any or the entire amount deferred, plus any amounts debited or credited to the deferred amount as of the designated payout. A participant may elect, at any time, to withdraw part (a minimum of \$25,000) or all of his or her account balance, subject to a withdrawal penalty of 10%. Payout amounts may be limited to the extent to which they are deductible by the Company under Section 162(m) of the Internal Revenue Code.

The balance of a participant's account is payable on his or her retirement in either a lump sum payout or in annual installments, at the election of the participant. Upon the death of a participant after retirement, payouts are made to the deceased participant's beneficiary in the same manner as though such payout would have been made to the participant had the participant survived. In the event of a participant's termination of employment prior to retirement, the participant may elect to receive a payout beginning the year after termination in the amount of his or her account balance as of the termination date either in a lump sum or in annual installments over a period of five years. Any participant who suffers from a continued disability will be entitled to the benefits of plan participation unless and until the committee administering the plan determines that the participant has been terminated for purposes of continued participation in the plan. Upon any such determination, the disabled participant is paid out as though the participant had retired. Except in certain limited circumstances, participants' account balances will be paid out in a lump sum (1) upon the occurrence of a change in control, as defined in the plan, or (2) upon any downgrade of the Company's senior debt obligations to less than "investment grade." The deferred amounts will be paid out of the general corporate assets or the assets of the Wisconsin Energy Corporation 2014 Rabbi Trust.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The tables below reflect the amount of compensation payable to each of our NEOs in the event of termination of each executive's employment. These amounts are in addition to each NEO's aggregate balance in the EDCP at fiscal year-end 2020, as reported in the "Aggregate Balance at Last Fiscal Year-End" column under "Nonqualified Deferred Compensation for Fiscal Year 2020." The amount of compensation payable to each NEO upon voluntary termination, normal retirement, for-cause termination, involuntary termination (by the Company for any reason other than cause, death or disability or by the executive for "good reason"), termination following a "change in control," disability, and death are set forth below. The amounts shown assume that such termination was effective as of December 31, 2020 and include amounts earned through that date, and are estimates of the amounts which would be paid out to the NEOs upon termination. The amounts shown under "Normal Retirement" assume the NEOs were retirement eligible with no reduction of retirement benefits. The amounts shown under "Termination Upon a Change in Control" assume the NEOs terminated employment as of December 31, 2020, which was within 18 months of a change in control of WEC Energy Group. The amounts reported in the row titled "Retirement Plans" in each table below are not in addition to the amounts reflected under "Pension Benefits at Fiscal Year-End 2020." The actual amounts to be paid out can only be determined at the time of an officer's termination of employment.

Payments Made Upon Voluntary Termination or Termination for Cause, Death or Disability

In the event a NEO voluntarily terminates employment or is terminated for cause, death, or disability, the officer will receive:

- accrued but unpaid base salary and, for termination by death or disability, prorated annual incentive compensation;
- 401(k) plan and EDCP account balances;
- the WEC Energy Group Plan cash balance;
- in the case of death or disability, full vesting in all outstanding stock options, restricted stock, and performance units (otherwise, the ability to exercise already vested options within three months of termination) as well as vesting in the SERP and ILAs; and
- if voluntary termination occurs after age 60, such termination is treated as a normal retirement.

NEOs are also entitled to the value of unused vacation days, if any, and for termination by death, benefits payable under the officer life insurance benefit if the NEO participates in such benefit.

Payments Made Upon Normal Retirement

In the event of the retirement of a NEO, the officer will receive:

- accrued but unpaid base salary and prorated annual incentive compensation;
- full vesting in all outstanding stock options and a prorated amount of performance units;
- full vesting in all retirement plans, including the WEC Energy Group Plan, SERP, and ILAs (Ms. Liu would be entitled to full vesting of her retirement income supplement);
- 401(k) plan and EDCP account balances; and
- the value of unused vacation days, if any.

In addition to the receipt of these benefits by Mr. Kuester, in connection with his retirement on July 1, 2020, the Compensation Committee accelerated the vesting of 20,931 shares of restricted stock. See "Summary Compensation Table" above for information regarding Mr. Kuester's prorated annual incentive compensation. See "Options Exercised and Stock Vested for Fiscal Year 2020" for additional information regarding the vesting of Mr. Kuester's restricted stock. The value of stock options that vested upon Mr. Kuester's 2020 retirement (based on the excess of the market price of the Company's common stock on July 1, 2020 over the exercise price of such options) was \$2,559,154.

Payments Made Under Employment Agreement Upon a Change in Control, Involuntary Termination, or Termination for Good Reason

WEC Energy Group entered into a written employment agreement with Mr. Fletcher effective October 31, 2011. The Compensation Committee did not amend or otherwise modify Mr. Fletcher's employment agreement in any way in connection with his appointment as President and CEO in 2019. Pursuant to the terms of this agreement, Mr. Fletcher is entitled to severance benefits if his employment is terminated (1) by the Company for any reason other than cause, death, or disability, or (2) by Mr. Fletcher for good reason. Upon termination, Mr. Fletcher's agreement provides for (1) a lump sum payment equal to 2.99 times his annual base salary for the fiscal year in which termination occurs, and (2) health, life and other welfare benefits (excluding disability benefits) for a period of three years following termination.

Generally, pursuant to Mr. Fletcher's ILA, good reason means:

- (1) a material reduction in Mr. Fletcher's base compensation;
- (2) a material change in the geographic location at which Mr. Fletcher must perform services; or
- (3) a material breach of the agreement by the Company.

WEC Energy Group also entered into a written employment agreement with Ms. Kelsey effective September 18, 2017. As previously disclosed, this agreement entitled Ms. Kelsey to severance benefits; however, this benefit expired on September 18, 2020. Ms. Kelsey is now eligible to participate in the Severance Pay Plan, in which all management employees are eligible to participate.

In addition, pursuant to the terms of the SPP (and for Mr. Fletcher, his ILA) retirement benefits are paid to all participating NEOs upon termination of employment within 18 months of a change in control. Participants appointed by the Company, including the NEOs, are also eligible to receive a supplemental disability benefit pursuant to the terms of the WEC Energy Group Supplemental Long Term Disability Plan, in an amount equal to the difference between the actual amount of the benefit payable under the long term disability plan applicable to all employees and what such disability benefit would have been if calculated without regard to any limitation imposed by the broad-based plan on annual compensation recognized thereunder.

Payments under the Severance Pay Plan

Messrs. Lauber, Klappa, Kuester, and Garvin, and Mmes. Liu and Kelsey, have not entered into any agreement that currently provides for severance benefits upon a change in control or otherwise. These officers are eligible to participate in the Company's Severance Pay Plan, in which all management employees are eligible to participate. In the event a participant is involuntarily terminated, other than for cause, death, disability, retirement, or resignation, the participant is entitled to receive severance pay in an amount equal to the sum of: (1) 4% of the participant's annual base salary and target bonus, plus (2) 4% of the participant's annual base salary and target bonus multiplied by his or her completed years of service with the Company. The maximum amount of severance pay that can be received under the plan is twelve months of a participant's annual base salary and target bonus.

Potential Payments to Named Executive Officers Upon Termination or Change in Control of the Company

The following tables show the potential payments upon termination or a change in control of the Company for:

Executive Benefits and Payments Upon Separation	Voluntary Termination (\$)	Normal Retirement (\$)	For Cause Termination (\$)	Involuntary Termination (\$)	Termination Upon Change in Control (\$)	Disability (\$)	Death (\$)
J. Kevin Fletcher							
Compensation:							
Cash Severance	—	—	—	3,152,058	3,152,058	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	1,766,240	—	—	3,652,119	3,652,119	3,652,119
Restricted Stock	—	—	—	—	735,688	735,688	735,688
Options	—	1,523,109	—	—	1,523,109	1,523,109	1,523,109
Benefits & Perquisites:							
Retirement Plans	20,727,066	20,727,066	20,727,066	20,727,066	20,727,066	20,727,066	11,578,138
Health and Welfare Benefits	—	—	—	57,864	57,864	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	3,162,600
Total	20,727,066	24,016,415	20,727,066	23,936,988	29,847,904	26,637,982	20,651,654

Xia Liu							
Compensation:							
Cash Severance	—	—	—	—	—	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	349,714	—	—	1,049,234	1,049,234	1,049,234
Restricted Stock	—	—	—	—	637,492	637,492	637,492
Options	—	—	—	—	—	—	—
Benefits & Perquisites:							
Retirement Plans	—	225,000	—	225,000	225,000	225,000	225,000
Health and Welfare Benefits	—	—	—	9,644	9,644	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	2,130,000
Total	—	574,714	—	234,644	1,921,370	1,911,726	4,041,726

Scott J. Lauber							
Compensation:							
Cash Severance	—	—	—	1,415,628	1,415,628	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	1,128,472	—	—	2,262,834	2,262,834	2,262,834
Restricted Stock	—	—	—	—	494,937	494,937	494,937
Options	—	1,455,108	—	—	1,455,108	1,455,108	1,455,108
Benefits & Perquisites:							
Retirement Plans	1,008,585	1,008,585	1,008,585	1,008,585	1,008,585	1,008,585	898,358
Health and Welfare Benefits	—	—	—	9,644	9,644	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	—
Total	1,008,585	3,592,165	1,008,585	2,433,857	6,646,736	5,221,464	5,111,237

Executive Benefits and Payments Upon Separation	Voluntary Termination (\$)	Normal Retirement (\$)	For Cause Termination (\$)	Involuntary Termination (\$)	Termination Upon Change in Control (\$)	Disability (\$)	Death (\$)
Gale E. Klappa							
Compensation:							
Cash Severance	—	—	—	1,463,700	1,463,700	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	186,269	—	—	558,714	558,714	558,714
Restricted Stock	—	—	—	—	1,305,169	1,305,169	1,305,169
Options	—	3,827,841	—	—	3,827,841	3,827,841	3,827,841
Benefits & Perquisites:							
Retirement Plans	28,385,381	28,385,381	28,385,381	28,385,381	28,385,381	28,385,381	—
Health and Welfare Benefits	—	—	—	9,644	9,644	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	—
Total	28,385,381	32,399,491	28,385,381	29,858,725	35,550,449	34,077,105	5,691,724

Margaret C. Kelsey							
Compensation:							
Cash Severance	—	—	—	155,953	155,953	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	698,876	—	—	1,356,522	1,356,522	1,356,522
Restricted Stock	—	—	—	—	298,361	298,361	298,361
Options	—	969,871	—	—	969,871	969,871	969,871
Benefits & Perquisites:							
Retirement Plans	—	—	—	—	—	—	—
Health and Welfare Benefits	—	—	—	9,644	9,644	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	1,670,925
Total	—	1,668,747	—	165,597	2,790,351	2,624,754	4,295,679

Robert M. Garvin							
Compensation:							
Cash Severance	—	—	—	285,669	285,669	—	—
Additional Pension Credited Service	—	—	—	—	—	—	—
Additional 401(k) and EDCP Match	—	—	—	—	—	—	—
Long-Term Incentive Compensation:							
Performance Units	—	520,890	—	—	1,014,171	1,014,171	1,014,171
Restricted Stock	—	—	—	—	226,118	226,118	226,118
Options	—	747,123	—	—	747,123	747,123	747,123
Benefits & Perquisites:							
Retirement Plans	636,864	719,352	636,864	719,352	719,352	719,352	712,614
Health and Welfare Benefits	—	—	—	9,644	9,644	—	—
Excise Tax Gross-Up	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Outplacement	—	—	—	—	—	—	—
Death Benefit	—	—	—	—	—	—	1,442,775
Total	636,864	1,987,365	636,864	1,014,665	3,002,077	2,706,764	4,142,801

PAY RATIO DISCLOSURE

The primary objective of our executive compensation program is to provide a competitive, performance-based plan that enables the Company to attract and retain key individuals and to reward them for achieving both the Company's short-term and long-term goals without creating an incentive for our NEOs to take excessive risks. In line with this objective, the Company's general pay practice for all management employees is to target the median pay for each individual's position at comparably sized companies.

For 2020, the annual total compensation of Mr. Fletcher, our principal executive officer serving in that position on December 31, 2020, of \$18,136,171, as shown in the Summary Compensation Table above ("CEO Compensation"), was approximately 131 times the annual total compensation of the median employee of \$138,849.

Excluding the change in pension value, Mr. Fletcher's annual total compensation was approximately 65 times the annual total compensation of the median employee. Given the large change in pension value for Mr. Fletcher in 2020, the Company believes excluding the amount for the change in pension value is helpful additional information for comparative purposes. The change in pension value as shown in the Summary Compensation Table is not due to any changes or modifications to the existing program or formula. The change in pension value is subject to many external variables, such as interest rates, that are not related to Company performance.

We identified the median employee as of December 31, 2020, using total wages and earnings paid during the rolling 12-month period ended December 31, 2020, as reflected in our internal payroll records (including, without limitation, base salary, wages plus overtime, and annual cash incentive payments, as applicable), for all individuals who were employed by us or any of our consolidated subsidiaries on December 31, 2020 (whether employed on a full-time, part-time, seasonal or temporary basis and including union and non-union employees). After identifying the median employee, we calculated annual total compensation for such employee using the same methodology we use for our CEO Compensation, which includes annual salary, bonus, change in pension value and 401(k) matching by the Company. We previously identified the median employee as of October 7, 2017. We decided to use December 31, the last day of our fiscal year, for administrative convenience to align with other fiscal year-end calculations.

To provide further context to our pay practices, due to the complexity of the work associated with operating public utilities, our workforce tends to be more highly skilled than workforces at companies in other industries. Additionally, our employees often work for the Company for long periods of time; our average employee tenure is 15 years.

RISK ANALYSIS OF COMPENSATION POLICIES AND PRACTICES

As part of its process to determine the 2020 compensation of WEC Energy Group's NEOs, the Compensation Committee analyzed whether WEC Energy Group's compensation program taken as a whole creates risks that are reasonably likely to have a material adverse effect on the Company. The Compensation Committee concluded it does not. This analysis applies generally to the compensation program for WEC Energy Group's employees since all management employees (both officers and non-officers) above a certain level are provided with substantially the same mix of compensation as the NEOs. The compensation package provided to employees below this level is not applicable to this analysis as such compensation package does not provide sufficient incentive to take risks that could materially affect the Company.

There is no objective way to measure risk resulting from a corporation's compensation program; therefore, this analysis is subjective in nature. We believe that the only elements of WEC Energy Group's compensation program that could incentivize risk-taking by our employees, and therefore have a reasonable likelihood of materially adversely affecting the Company, are the annual cash incentive compensation and the long-term incentive compensation, the payout of which is dependent upon the achievement of certain performance levels by the Company. Based upon the value of each of these elements to the overall compensation mix and the relative value each has to the other, we believe the Company's compensation program is appropriately balanced. We believe that the mix of short- and long-term awards minimizes risks that may be taken, as any risks taken for short-term gains could ultimately jeopardize the Company's ability to meet the long-term performance objectives. Given the current balance of compensation elements, we do not believe WEC Energy Group's compensation program incentivizes unreasonable risk-taking by management.

The Compensation Committee's stock ownership guidelines require officers who participate in the long-term incentive compensation program to hold an amount of Company common stock and other equity-related Company securities that varies depending upon such officers' level. The guidelines require the Company's executive officers to hold common stock and other equity-related securities of the Company having a minimum fair market value ranging from 250% to 600% of base salary. The Compensation Committee believes these stock ownership guidelines further discourage unreasonable risk taking by Company officers.

As part of this analysis, we also considered the nature of WEC Energy Group's business as a public utility holding company and the fact that substantially all of the Company's earnings and other financial results are generated by, or relate to, regulated public utilities. The highly regulated nature of WEC Energy Group's business, including limits on the amount of profit the Company's public utility subsidiaries (and therefore, WEC Energy Group) may earn, significantly reduces any incentive to engage in conduct that would be reasonably likely to have a material adverse effect on the Company.

WEC Energy Group Common Stock Ownership

Beneficial Ownership. The following table lists the beneficial ownership of WEC Energy Group common stock of each director, director nominee, NEO, and of all of the directors and executive officers as a group as of January 31, 2021. In general, “beneficial ownership” includes those shares as to which the indicated persons have voting power or investment power and stock options that are exercisable currently or within 60 days of January 31, 2021. Included are shares owned by each individual’s spouse, minor children, or any other relative sharing the same residence, as well as shares held in a fiduciary capacity or held in WEC Energy Group’s Stock Plus Investment Plan and WEC Energy Group’s 401(k) plans. None of these persons beneficially owns more than 1% of the outstanding common stock.

Name	Shares Beneficially Owned ⁽¹⁾		
	Shares Owned ^{(2) (3) (4)}	Option Shares Exercisable Within 60 Days	Total
Patricia W. Chadwick	21,433	—	21,433
Curt S. Culver	1,714	—	1,714
Danny L. Cunningham	5,927	—	5,927
William M. Farrow III	5,688	—	5,688
Thomas J. Fischer	44,341	—	44,341
J. Kevin Fletcher	20,106	33,400	53,506
Cristina A. Garcia-Thomas	1,538	—	1,538
Robert M. Garvin	10,166	60,370	70,536
Maria C. Green	1,624	—	1,624
Margaret C. Kelsey	7,977	18,380	26,357
Gale E. Klappa	227,982	212,034	440,016
Henry W. Knueppel	21,556	—	21,556
Frederick D. Kuester	31,112	53,410	84,522
Thomas K. Lane	4,810	—	4,810
Scott J. Lauber	24,735	60,835	85,570
Xia Liu	9,561	—	9,561
Ulice Payne, Jr.	25,031	—	25,031
Mary Ellen Stanek	4,139	—	4,139
All directors and executive officers as a group (24 persons)	495,328 ⁽⁵⁾	496,589	991,917 ⁽⁶⁾

- ⁽¹⁾ Information on beneficially owned shares is based on data furnished by the specified persons and is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, as required for purposes of this proxy statement. It is not necessarily to be construed as an admission of beneficial ownership for other purposes.
- ⁽²⁾ Certain directors, NEOs, and other executive officers also hold share units in the WEC Energy Group phantom common stock account under WEC Energy Group’s deferred compensation plans as indicated: Director Culver (113,314), Director Cunningham (5,603), Director Farrow (1,572), Director Fischer (8,021), Mr. Garvin (6,466), Director Green (1,572), Ms. Kelsey (5,458), Director Knueppel (625), Director Lane (1,251), Mr. Lauber (1,292), Director Payne (2,234), Director Stanek (33,263), and all directors and executive officers as a group (210,592). Share units are intended to reflect the performance of WEC Energy Group common stock and are payable in cash. While these units do not represent a right to acquire WEC Energy Group common stock, have no voting rights, and are not included in the number of shares reflected in the “Shares Owned” column in the table above, the Company listed them in this footnote because they represent an additional economic interest of the directors, NEOs, and other executive officers that is tied to the performance of WEC Energy Group common stock.
- ⁽³⁾ Each individual has sole voting and investment power as to all shares listed for such individual, except (i) the following individuals have shared voting and/or investment power (included in the table above) as indicated: Director Culver (176), Director Fischer (40,803), Chairman Klappa (5,000), Director Knueppel (20,018) and Director Stanek (2,601), and all directors and executive officers as a group (68,598) and (ii) Director Lane disclaims beneficial ownership of 1,700 shares held by a limited liability company, which is owned by two trusts for the benefit of Director Lane’s immediate family members.
- ⁽⁴⁾ The directors and executive officers hold shares of restricted stock (included in the table above) over which the holders have sole voting but no investment power: Director Chadwick (1,538), Director Culver (1,538), Director Cunningham (1,538), Director Farrow (1,538), Director Fischer (1,538), Mr. Fletcher (9,368), Director Garcia-Thomas (1,538), Mr. Garvin (2,302), Director Green (1,538), Ms. Kelsey (3,058), Chairman Klappa (19,473), Director Knueppel (1,538), Director Lane (1,538), Mr. Lauber (6,131), Ms. Liu (9,561), Director Payne (1,538), Director Stanek (1,538), and all directors and executive officers as a group (73,605).
- ⁽⁵⁾ None of the shares beneficially owned by the directors, NEOs, or all directors and executive officers as a group are pledged as security.
- ⁽⁶⁾ Represents approximately 0.30% of total WEC Energy Group common stock outstanding on January 31, 2021.

Owners of More than 5%. The following table shows stockholders who reported beneficial ownership of more than 5% of WEC Energy Group common stock, based on the information they have reported. This information is based upon Schedule 13G filed with the SEC and reflects stock holdings as of December 31, 2020. These holdings have not been otherwise adjusted for stock activity that may have occurred since December 31, 2020, if any.

Name and Address ⁽¹⁾	Voting Authority		Dispositive Authority		Total Shares Beneficially Owned	Percent of WEC Common Stock
	Sole	Shared	Sole	Shared		
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	—	743,975	37,117,721	1,612,747	38,730,468	12.28%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	23,566,000	—	26,050,429	—	26,050,429	8.30%
Magellan Asset Management, LTD MLC Centre, Level 36 19 Martin Place Sydney NSW 2021 Australia	18,578,357	—	22,508,662	—	22,508,662	7.14%
State Street Corporation One Lincoln Street Boston, MA 02111	—	14,452,934	—	16,482,672	16,488,526	5.23%

⁽¹⁾ Filed on behalf of itself and certain of its subsidiaries.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act, as amended, requires the Company's executive officers, directors, and persons owning more than 10% of WEC Energy Group's common stock to file reports of ownership and changes in ownership of equity and derivative securities of WEC Energy Group with the SEC and the New York Stock Exchange. Specific due dates for those reports have been established by the SEC, and the Company is required to disclose in this proxy statement any failure to file by those dates during the 2020 fiscal year. To the Company's knowledge, based on a review of filings with the SEC and the representations of the persons required to file these reports, all applicable reporting requirements for fiscal year 2020 were complied with in a timely manner except for the following report, which was filed late due to administrative error: one Form 4 for Maria Green to report two transactions that occurred in March and April 2020 involving two open market sales of common stock. In addition, one Form 4 for Robert Garvin to report one transaction in January 2021 involving an in-service distribution of phantom common stock was inadvertently reported late due to administrative error.

Annual Meeting Attendance and Voting Information

BUSINESS OF THE 2021 ANNUAL MEETING OF STOCKHOLDERS

Proposal 1: Election of Ten Directors for Terms Expiring in 2022. The Board recommends a vote **FOR** each of the nominees. The ten individuals will be elected as directors if the number of votes cast favoring such nominee's election exceeds the number of votes cast opposing that nominee's election. Presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect on the outcome of this matter.

Proposal 2: Ratification of Deloitte & Touche LLP as Independent Auditors for 2021. The Board recommends a vote **FOR** this proposal. Ratification of the independent auditors requires the affirmative vote of a majority of the votes. Presuming a quorum is present, shares not voted, whether by abstention or otherwise, have no effect on the outcome of this matter.

Proposal 3: Approve the Amendment and Restatement of the WEC Energy Group Omnibus Stock Incentive Plan. The Board recommends a vote **FOR** this proposal. Approval of the OSIP amendments requires the affirmative vote of a majority of the votes cast. Presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect on the outcome of this matter.

Proposal 4: Advisory Vote to Approve Compensation of the Named Executive Officers, Commonly Referred to as a "Say-on-Pay" Vote. The Board recommends a vote **FOR** this proposal. Approval, on a non-binding, advisory basis, of the compensation of the NEOs requires the affirmative vote of a majority of the votes cast. Presuming a quorum is present, shares not voted, whether by broker non-vote, abstention, or otherwise, have no effect on the outcome of this matter. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Compensation Committee will review the voting results and take them into consideration.

The Company is not aware of any other matters that will be voted on. If a matter does properly come before the 2021 Annual Meeting of Stockholders ("Meeting"), the persons named as the proxies in the form of proxy will vote the proxy at their discretion.

VOTING INFORMATION

Who can vote?

Stockholders of record as of the close of business on February 25, 2021 (the "Record Date"), can vote. Each outstanding share of WEC Energy Group common stock is entitled to one vote upon each matter presented.

A list of stockholders entitled to vote at the Meeting will be available for inspection by stockholders at 333 W. Everett St, Milwaukee, Wisconsin 53203, prior to the Meeting. Please call us at 800-881-5882 to arrange to inspect the list. The list will also be available on the virtual meeting website during the Meeting for individuals logged into the Meeting as stockholders.

What is the difference between being a registered stockholder and a beneficial owner?

Registered Stockholder: If on the Record Date, your shares were registered directly in your name with our transfer agent, Computershare, then you are considered the stockholder of record with respect to those shares. There are several ways for you to vote your shares or submit your proxy, as detailed below under "How do I vote?"

Beneficial Owner: If on the Record Date, your shares were held in an account with a brokerage firm, bank or other nominee, then you are the beneficial owner of the shares, and those shares are considered to be held in "street name." Your brokerage, bank or other nominee is considered the stockholder of record with respect to those shares. As a beneficial owner, you have the right to direct your broker or bank on how to vote the shares held in your account as explained below under "How do I vote?" Your broker, bank or other nominee is permitted to vote your shares in the ratification of the independent auditors even if it does not receive voting instructions from you. However, for matters considered non-routine, which includes proposals 1, 3, and 4, your broker, bank or other nominee will not be permitted to vote your shares unless you submit your voting instruction form to your broker, bank or other nominee. Alternatively, you may vote during the Meeting only if you registered in advance with Computershare to attend the Meeting, as described below under the heading "How do I register in advance to attend the Meeting?"

How do I vote?

Registered Stockholder: If you are a registered stockholder, there are several ways for you to vote your shares or submit your proxy:

By Internet before the Meeting. The Company encourages you to vote this way. Please visit www.envisionreports.com/WEC and follow the instructions on the secure site. Internet voting on this website closes at May 5, 2021 at 10:59 PM Central time.

By Internet during the Meeting. You may vote your shares online during the Meeting by following the instructions provided on the virtual meeting website: www.meetingcenter.io/210167229 password is WEC2021. Even if you plan to attend the virtual Meeting, we recommend that you also vote by internet, phone or mail before the Meeting.

By telephone. In the U.S. or Canada you can vote your shares toll-free by calling 1-800-652-8683. Telephone voting closes at May 5, 2021 at 10:59 PM Central time.

By mail. You can vote by completing, signing and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy card.

Beneficial Owner: Follow the voting instructions you receive from your broker, bank or other nominee. If you would like to be able to vote during the Meeting, you must register with Computershare in advance. See the heading titled “How do I register in advance to attend the Meeting?” for more information.

Special Instructions for Shares Held in the Company’s Stock Plus Plan and ESOP Fund. If you are a participant in WEC Energy Group’s Stock Plus Investment Plan (“Stock Plus”) or own shares through investments in the WEC Energy Group Common Stock ESOP Fund in any of WEC Energy Group’s 401(k) plans, your proxy will serve as voting instructions for your shares held in those plans. The administrator for Stock Plus and the trustee for WEC Energy Group’s 401(k) plans will vote your shares as you direct. If a proxy is not returned for shares held in Stock Plus, the administrator will not vote those shares. If a proxy is not returned for shares held in WEC Energy Group’s 401(k) plans, the trustee will vote those shares in the same proportion that all shares in the WEC Energy Group Common Stock ESOP Fund in each respective 401(k) plan, for which voting instructions have been received, are voted.

Can I change my vote?

Registered Stockholder: You may change your vote or revoke your proxy by any of the following methods:

- Entering a new vote by Internet or phone by May 5, 2021 at 10:59 PM Central time;
- Returning a later-dated proxy card that is received prior to the Meeting;
- Entering a new vote online during the Meeting before the polls close; or
- Notifying WEC Energy Group’s Corporate Secretary by written revocation letter that is received prior to the Meeting. Any revocation should be filed with the Corporate Secretary, Margaret C. Kelsey, at WEC Energy Group’s principal business office, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201.

Beneficial Owner: You may submit new voting instructions by contacting your broker, bank, or other nominee. You may also change your vote or revoke your voting instructions during the Meeting if you registered in advance with Computershare to attend the Meeting. See the heading titled “How do I register in advance to attend the Meeting?” for more information.

What does it mean if I get more than one Notice Regarding the Availability of Proxy Materials (“Notice”), proxy card, or voting instruction form?

It means your shares are held in more than one stock account. For each Notice you receive, please enter your vote on the Internet for each control number you have been assigned. If you receive paper copies of proxy materials, please provide voting instructions for all proxy cards and voting instruction forms you receive.

What constitutes a quorum?

As of the Record Date, there were 315,434,531 shares of WEC Energy Group common stock outstanding. In order to conduct the Meeting, a majority of the outstanding shares entitled to vote must be represented virtually or by proxy. This is known as a “quorum.” Abstentions and broker non-votes are counted as “present” for the purpose of determining the presence of a quorum. Votes voted by a broker, bank, or other nominee who has discretionary voting power and exercises such discretion to vote your shares on a proposal where you did not provide voting instructions are known as a “broker non-votes.”

Who conducts the proxy solicitation?

The Board is soliciting these proxies. WEC Energy Group will bear the cost of the solicitation of proxies. The Company contemplates that proxies will be solicited principally through the use of the mail, but employees of WEC Energy Group or our subsidiaries may solicit proxies by telephone, personally, or by other communications, without compensation apart from their normal salaries. WEC Energy Group has retained Morrow Sodali LLC to assist in the solicitation of proxies for a fee of \$23,000 plus reimbursement of expenses. WEC Energy Group will also reimburse brokers, banks, and other nominees for forwarding proxy materials to beneficial stockholders.

Who will count the votes?

A representative of Computershare will tabulate the votes and act as the inspector of election.

Where can I find the voting results from the Meeting?

The Meeting voting results will be published in a Form 8-K that will be filed within four business days of the Meeting. SEC filings are available on the Company’s website at wecenergygroup.com, under the “Investors” section.

ACCESS TO PROXY MATERIALS

Why did I receive a separate Notice instead of printed proxy materials?

Pursuant to rules adopted by the SEC, we are providing access to our proxy materials over the Internet. Accordingly, we began mailing a separate Notice to stockholders on or about March 25, 2021, instead of a full set of our printed proxy materials. The Notice is not a proxy card and cannot be used to vote your shares. However, the Notice includes instructions on how to access our proxy materials online and vote your shares.

If you are a registered stockholder, you may request a printed set of proxy materials by (1) logging on to www.envisionreports.com/WEC and following the applicable instructions, (2) calling 866-641-4276, or (3) sending an email requesting a paper copy of current meeting materials to investorvote@computershare.com with "Proxy Materials WEC Energy Group" in the subject line and your full name and address plus the number located in the shaded bar on the Notice.

If you are a beneficial owner, please refer to the instructions provided by your broker, bank or other nominee on how to access our proxy materials and vote.

What practices may stockholders follow that are friendly to the environment and help reduce printing and postage costs?

Stockholders may wish to participate in the following:

- **View the following documents online at www.envisionreports.com/WEC**
 - Notice of Annual Meeting
 - Proxy Statement
 - 2020 Annual Report
 - Form of Proxy
- **Vote your proxy by telephone or Internet. Page P-6**
- **Choose to receive future proxy materials and annual reports electronically instead of receiving paper copies.** If you are a registered stockholder and received a paper copy of our proxy materials or a paper notice this year, you may elect to receive access to future copies of these documents and other stockholder communications (e.g., investment plan statements, tax documents, and more) electronically by (1) following the instructions when voting by Internet or by telephone, or (2) registering for our eDelivery paperless communication program. If you are a beneficial owner, please refer to the instructions provided by your broker, bank or other nominee on how to elect to receive access to our future proxy materials and annual reports online.
- **Choose our eDelivery paperless communication program for all your stockholder needs.** Electronic distribution gives stockholders faster delivery of account documents and saves the Company and our stockholders the cost of printing and mailing these materials. eDelivery also provides you with fast and secure 24/7 online access to proxy materials, investment plan statements, tax documents, and more. You may access your registered stockholder account and sign up for eDelivery at www.computershare.com/investor.
- **Sign up for Householding.** “Householding” is a delivery method that allows for only one paper copy of the Annual Report and Proxy Statement to be delivered to stockholders who reside at the same address.

If you are a registered stockholder and received multiple paper copies of the Annual Report and Proxy Statement, you may wish to contact the Company’s transfer agent, Computershare, at 800-558-9663, to request householding, or you may provide written instructions to WEC Energy Group, c/o Computershare, P.O. Box 505000, Louisville, KY 40233-5000. If you wish to receive separate copies of the Annual Report and Proxy Statement now or in the future, or to discontinue householding entirely, you may contact Computershare using the contact information provided above. Upon request, the Company will promptly send a separate copy of the document. Whether or not a stockholder is householding, each stockholder will continue to receive a proxy card. If your shares are held through a bank, broker, or other holder of record, you may request householding by contacting the holder of record.

ANNUAL MEETING ATTENDANCE

What is the date, time and place of the Meeting?

The Meeting will be held at 1:30 p.m., Central Time on Thursday, May 6, 2021. This year, due to the COVID-19 pandemic, the Meeting will be a virtual-only meeting via live webcast at www.meetingcenter.io/210167229. No physical meeting will be held. Our goal is to offer stockholder rights and participation opportunities during the Meeting that are similar to our past in-person annual meetings. As discussed below, stockholders who are registered for the Meeting may attend the Meeting, vote, submit questions and examine the stockholders list.

How can I attend the Meeting?

The Meeting will take place online at www.meetingcenter.io/210167229. If you would like to participate in the Meeting, including to vote, submit a question, or examine the stockholders list, you must be registered to attend the Meeting. Registered stockholders (as described under the heading “What is the difference between being a registered stockholder and a beneficial owner?” above) will be automatically registered to attend the Meeting. You will need to enter (1) the 15-digit control number located in the shaded bar on the Notice, proxy card or email notification that you received and (2) the password WEC2021 in order to enter the Meeting. If you are a beneficial owner and registered in advance to attend the Meeting, you will need to enter the control number that you received from Computershare and the password WEC2021 in order to be able to enter the Meeting. If you have questions about your control number, please contact Computershare at 800-558-9663.

If you have misplaced your control number on the Meeting date, are a beneficial owner who did not register in advance, or are not a stockholder, you may access the Meeting by going to www.meetingcenter.io/210167229 and entering as a guest, but you will not be able to vote, ask questions, or inspect the stockholders list.

We encourage you to log in 15 minutes early to ensure ample time for the check in. Access to the online meeting will begin at 1:15 PM Central time. A replay of the Meeting will be made available on WEC Energy Group’s Investor Relations website at <https://www.wecenergygroup.com/invest/annualmtg.htm> following the Meeting and will remain available until WEC Energy Group’s 2022 Annual Meeting of Stockholders. Recording of the Meeting by camera, sound, or video recording devices is strictly prohibited.

How do I register in advance to attend the Meeting?

If you are a registered stockholder, you do not need to register in advance to attend the Meeting. However, please have your control number found on your Notice, proxy card or email notification that you received available on the Meeting date.

If you are a beneficial owner you must register and obtain a control number in advance to attend, vote and ask questions. First, follow the instructions provided to you by your broker, bank or other nominee for obtaining a legal proxy, or contact them to request a legal proxy form. Once you have received a legal proxy from that entity, you must submit proof of the legal proxy to Computershare. The request must be labeled as "Legal Proxy" and be received by Computershare no later than 5:00 PM ET on May 3, 2021 at the email address or physical address below. Upon receipt of your registration materials, Computershare will provide you with a confirmation of your registration and a control number.

- By email: send an email with your legal proxy to legalproxy@computershare.com, labeled as "Legal Proxy."
- By mail: send your legal proxy to Computershare at the following address:

Computershare
WEC Energy Group Legal Proxy
P.O. Box 43001
Providence, RI 02940-3001

What if I have trouble accessing the Meeting?

The virtual meeting website is fully supported across browsers (Internet Explorer, Firefox, Chrome and Safari) and devices (desktops, laptops, tablets and cell phones) running the most up-to-date version of applicable software and plugins. Participants should ensure that they have a strong WiFi connection wherever they intend to participate in the Meeting. We encourage you to access the Meeting prior to the start time. A link on the main virtual meeting website will provide further assistance should you need it or you may call 888-724-2416.

Can I ask questions during the Meeting?

If you were registered to attend the Meeting and entered a control number, you will be able to submit questions live during the Meeting on the virtual meeting site. We look forward to answering your questions during the Meeting. In the unlikely event there are any questions that cannot be addressed due to time constraints, we will post answers to such questions on our company website, where you will also be able to access a complete audio replay of the Meeting. All questions must comply with the rules of conduct, which will be posted on the virtual meeting website. If we receive substantially similar questions, we may group such questions together and provide a single response to avoid repetition and allow more time for other questions. Questions that are repetitious, not relevant to the business of the Company, or otherwise out of order or not suitable for Meeting conduct will not be addressed. If you have a matter of individual concern, please feel free to call Stockholder Services at 800-881-5882.

Who do I contact if I have questions about the Meeting?

If you need more information about the Meeting, call us at 800-881-5882, or write to Stockholder Services, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201.

STOCKHOLDER NOMINEES AND PROPOSALS

Stockholders wishing to propose director candidates for consideration and recommendation by the Corporate Governance Committee for election at the 2022 Annual Meeting of Stockholders must submit the candidates' names and qualifications to the Corporate Governance Committee no later than November 1, 2021 via the Corporate Secretary, Margaret C. Kelsey. Stockholders may also propose director candidates for consideration and recommendation by the Board by following the guidelines outlined in the Company's bylaws and summarized below.

Stockholders who intend to have a proposal considered for inclusion in the Company's proxy materials for presentation at the 2022 Annual Meeting of Stockholders must submit the proposal to the Company no later than November 25, 2021.

Under our proxy access bylaw, if a stockholder (or a group of up to 20 stockholders) who has owned at least 3% of our shares of common stock for at least three years and has complied with the other requirements set forth in the Company's bylaws wants us to include director nominees (up to the greater of two nominees or 20% of the Board) in our proxy statement for the 2022 Annual Meeting of Stockholders, the nominations must be received by our Corporate Secretary and must arrive at the Company in a timely manner, between 120 and 150 days prior to the anniversary of the date our proxy statement was first sent to stockholders in connection with our last annual meeting, which would be no earlier than October 26, 2021 and no later than November 25, 2021.

Stockholders who intend to present a proposal or director nominee at the 2022 Annual Meeting of Stockholders without inclusion of such proposal or nominee in the Company's proxy materials, are required to provide notice of such proposal or nomination, containing the information required by the Company's bylaws, to the Company at least 70 days and not more than 100 days prior to the scheduled date of the 2022 Annual Meeting of Stockholders. The 2022 Annual Meeting of Stockholders is tentatively scheduled for Thursday, May 5, 2022.

Correspondence regarding the above should be directed to the Corporate Secretary, Margaret C. Kelsey, at the Company's principal business office, 231 W. Michigan Street, PO Box 1331, Milwaukee, Wisconsin 53201.

Availability of Form 10-K

A copy (without exhibits) of WEC Energy Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the SEC, is available without charge to any stockholder of record or beneficial owner of WEC Energy Group common stock by writing to the Corporate Secretary, Margaret C. Kelsey, at the Company's principal business office, 231 W. Michigan Street, P.O. Box 1331, Milwaukee, Wisconsin 53201. The WEC Energy Group consolidated financial statements and certain other information found in the Form 10-K are provided in our 2020 Annual Financial Statements and Review of Operations. The Form 10-K, along with this proxy statement and all of WEC Energy Group's other filings with the SEC, is also available in the "Investors" section of the Company's Website at wecenergygroup.com.

Appendix A

WEC Energy Group Omnibus Stock Incentive Plan Amended and Restated

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WEC ENERGY GROUP

OMNIBUS STOCK INCENTIVE PLAN

1. **Purpose.** The Plan was established effective December 15, 1993 and is known as the "WEC Energy Group Omnibus Stock Incentive Plan." Prior to January 1, 2016, the Plan was known as the Wisconsin Energy Corporation Omnibus Stock Incentive Plan. The Plan is maintained by WEC Energy Group, Inc. (the "Company") (Prior to June 29, 2015, the Company was known as Wisconsin Energy Corporation). The purpose of the Plan is to enable the Company to offer directors, officers and key employees of the Company and its subsidiaries performance-based incentives and other equity interests in the Company, thereby attracting, retaining and rewarding such individuals and strengthening the mutuality of interest between such individuals and the Company's stockholders. The Plan was amended effective as of January 1, 2008 (the "2008 Restatement"), May 5, 2011 (the "2011 Restatement") to increase the number of shares of common stock available for benefits, and make other changes in the administration of the Plan, and most recently January 1, 2016 (the "2016 Restatement"), to reflect the change to the name of the Company and update the history of the Plan. The Plan is hereby amended and restated to extend the term of the Plan which is set to expire on May 5, 2021 and to make other changes in the administration of the Plan.
2. **Administration.** The Plan shall be administered by a committee (the "Committee") which shall be the Compensation Committee of the Board of Directors or another committee consisting of not less than two directors of the Company appointed by the Board of Directors who are not employees. It is intended that the Committee members shall, at all times, qualify as "non-employee" directors within the meaning of Securities and Exchange Commission Regulation Section 240.16b-3, and shall have been determined to be "independent" by the Board of Directors. However, the failure to so qualify shall not affect the validity of any actions taken by the Committee in accordance with the provisions of the Plan. If for any reason the Committee does not qualify to administer the Plan, the Board of Directors may appoint a new Committee so as to comply. The Committee shall have full authority to select the persons to whom benefits are granted, to determine the terms and conditions of all benefits and of award agreements, to approve any modifications to the terms and conditions of any outstanding benefit, to make all adjustments and determinations provided for in the Plan, and to interpret and construe all terms of the Plan and of any award agreement. All determinations made by the Committee in the administration of the Plan and the benefits granted hereunder shall be final, conclusive and binding on all parties. The Committee may specify the number of benefits to be granted to a group of key employees (other than officers subject to Section 16 of the Exchange Act), and the terms and conditions of such benefits, and delegate to the Chief Executive Officer, or any other officer of the Company, the authority to determine how such benefits shall be allocated among the key employees, and any benefit so granted to a key employee shall be considered to have been approved by the Committee for all purposes of the Plan.
3. **Eligibility.** Benefits under the Plan shall be granted only to directors, officers and key employees of the Company and its subsidiaries selected initially and from time-to-time thereafter by the Committee on the basis of the special importance of their services in the management, development and operations of the Company and its subsidiaries.
4. **Benefits.** The benefits awarded under the Plan shall consist of (a) stock options, (b) stock appreciation rights, (c) stock awards, (d) performance units, (e) restricted stock units, and (f) dividend equivalents, as the Committee, in its discretion, determines.
5. **Shares Reserved.**
 - a. Subject to adjustment pursuant to paragraph 18, there is hereby reserved for issuance under the Plan an aggregate of 9,000,000 shares of common stock of the Company (less: (i) the number of shares subject to each option or stock appreciation right granted after February 25, 2021; plus (ii) each full share award granted after February 25, 2021 times 4.23), plus the number of shares of common stock of the Company that are subject to awards outstanding under the 2011 Restatement, or a successor thereto (the "Prior Plan"). Shares reserved for issuance may be authorized but unissued, treasury, or repurchased shares. Awards outstanding under the Prior Plan shall remain subject to the terms and conditions of such Prior Plan.
 - b. The number of shares available for issuance shall be reduced by (i) the number of shares subject to each option or stand-alone stock appreciation right (defined in paragraph 7) granted, and by (ii) 4.23 multiplied by the number of shares issued under all other awards except options and stock appreciation rights, or the number reserved for issuance pursuant to a grant of restricted stock units or performance units.
 - c. If there is a lapse, expiration, termination or cancellation of any benefit prior to the issuance of shares thereunder or if shares are issued and thereafter are reacquired by the Company pursuant to rights reserved upon issuance thereof, those shares may again be used for new benefits under this Plan; provided that, in the case of a lapse, expiration, termination or cancellation of a stock award, or award of restricted stock units, the number of shares that may be used for new benefits shall be the same number by which the number of available shares was reduced when the benefit was granted taking into account the 4.23 multiplier. In addition, shares that are not issued or are reacquired because the Committee elects to settle a benefit in cash, or a number of shares of stock are used to pay the exercise price or tax withholding obligation on a benefit, shall not again be available for new benefits.
 - d. No participant may receive benefits in any calendar year during the term of the Plan in excess of the limits set forth below (each of which limits shall be applied separately).
 - i. In the case of options and stand-alone stock appreciation rights, benefits covering a maximum of 750,000 shares; and
 - ii. In the case of stock awards, performance units and restricted stock units, 750,000 shares (determined prior to application of the 4.23 multiplier).

In the case of a performance-based award that provides for a target number of shares and also provides that a larger number of shares (not exceeding twice the target) may be granted if the performance criteria are exceeded, the limits set forth above shall be based on the target award, provided that for purposes of paragraph 5(b), the number of shares available for issuance shall be reduced by the number of shares actually issued.

6. **Stock Options.** Stock options shall consist of options to purchase shares of common stock of the Company. All of the shares of common stock reserved for issuance under the Plan shall be available as either incentive stock options or non-qualified stock options as determined by the Committee and as specified in the applicable award agreement. If the award agreement does not specify, the stock option shall be considered non-qualified. The option price shall be not less than 100% of the fair market value of the shares on the date the stock option is granted (or 110% of fair market value in the case of an incentive stock option granted to a 10% stockholder as defined in Section 422(b)(6) of the Internal Revenue Code of 1986, as amended (the "Code")) and the price may be paid by check or, in the discretion of the Committee, by means of tendering, either directly or by attestation, shares of common stock of the Company then owned by the participant, by reducing the number of shares delivered upon exercise of the stock option, by broker-assisted cashless exercise, or by any combination of the foregoing methods or any other method consistent with applicable law that the Committee, in its sole discretion, approves. Stock options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at grant and set forth in the award agreement; provided, however, that except as otherwise provided in paragraph 14 or 18, no stock option shall be exercisable prior to six months after the stock option grant date nor later than ten years (or five years in the case of an incentive stock option granted to a 10% stockholder) after the grant date. The aggregate fair market value (determined as of the time the stock option is granted) of the shares of common stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year (under all option plans of the Company and its subsidiaries) shall not exceed \$100,000. If, as a result of any accelerated vesting pursuant to an award agreement or as otherwise provided by the Committee, the number of shares with respect to which incentive stock options become exercisable during a year exceeds such limit, the stock options shall constitute incentive stock options to the extent of such limit in the order granted, and the excess shall be considered non-qualified options.
7. **Stock Appreciation Rights.** Stock appreciation rights may be granted either to the holder of any stock option granted hereunder (a "tandem stock appreciation right") or to a participant separate from any stock options granted to such participant (a "stand-alone stock appreciation right") and shall be subject to such terms and conditions consistent with the Plan as the Committee shall impose from time to time, including the following:
 - a. A tandem stock appreciation right may be granted with respect to a stock option at the time of its grant or at any time thereafter up to six months prior to the stock options expiration. Tandem stock appreciation rights will permit the holder to surrender any related stock option or portion thereof which is then exercisable and elect to receive in exchange therefor cash in an amount equal to:
 - i. The excess of the fair market value on the date of such election of one share of common stock over the option price, multiplied by
 - ii. The number of shares covered by such option or portion thereof which is so surrendered.
 - b. Stand-alone stock appreciation rights shall be granted pursuant to an award agreement that shall specify the exercise price (which shall not be less than the fair market value of a share of stock on the grant date), and shall also specify the time or times at which the stock appreciation right can be exercised, subject to such additional terms and conditions to exercise as shall be determined by the Committee at grant; provided, however, that except as otherwise provided in paragraph 14 or 18, no stand-alone stock appreciation right shall be exercisable prior to six months after the grant date nor later than ten years after the grant date. Upon exercise of all or a portion of a stand-alone stock appreciation right, the holder will be entitled to receive cash in an amount equal to:
 - i. The excess of the fair market value on the date of such election of one share of common stock over the exercise price, multiplied by
 - ii. The number of shares covered by such stock appreciation right or portion thereof which is so exercised.
 - c. The Committee shall have the discretion to satisfy a participant's right to receive the amount of cash determined under paragraph (a) or (b) hereof in whole or in part by the delivery of common stock of the Company valued as of the date of the participant's election.
8. **Stock Awards.** Stock awards will consist of common stock transferred to participants without other payment therefor as additional compensation for their services to the Company or one of its subsidiaries. A stock award shall be subject to such terms and conditions as the Committee determines appropriate including, without limitation, restrictions on the sale or other disposition of such shares, the right of the Company to reacquire such shares without payment of consideration upon termination of the participant's employment within specified periods and conditions requiring that the shares be earned in whole or in part upon the achievement of performance goals established by the Committee over a designated period of time.
9. **Performance Units.** Performance units shall consist of monetary units granted to participants which may be earned in whole or in part if the Company achieves certain performance goals established by the Committee over a designated period of time. Each performance unit shall represent the conditional right of a participant to receive a payment equal to fair market value of a share of common stock on the settlement date, subject to satisfaction of such conditions as the Committee shall specify.

10. **Restricted Stock Units.** Restricted stock units shall consist of the grant to a participant of the right to receive upon the satisfaction of the conditions specified by the Committee, a specified number of shares of common stock without other payment therefor as additional compensation for the participants' services to the Company or one of its subsidiaries. A restricted stock unit award shall be subject to such terms and conditions as the Committee determines appropriate that must be satisfied prior to the transfer of the stock including, without limitation, continued employment through specified dates or the achievement of performance goals established by the Committee.
11. **Dividend Equivalents.** Dividend equivalents shall consist of the award to a participant, in connection with the award of a stock option, stand-alone stock appreciation right, performance unit or restricted stock unit, of a cash payment equal to all or a portion of the dividends that the participant would have received had the participant owned the number of shares of stock subject to the benefit on the record date for dividends paid by the Company. Dividend equivalents may be granted either at the same time the underlying benefit is granted, or at any time while the benefit is outstanding, and shall be subject to such terms and conditions as the Committee determines appropriate that must be satisfied prior to the transfer of the stock including, without limitation, continued employment through specified dates or the achievement of performance goals established by the Committee; provided, however, that if the underlying benefit is conditioned upon the achievement of performance goals, receipt of the dividend equivalent payments shall be conditioned at least upon achievement of a performance goal (which need not be the same goal), plus any additional conditions that the Committee deems appropriate. Dividend equivalent payments shall be paid at the times specified in the award agreement, which may be the record date for payment of the dividend, the date on which the underlying benefit either vests or is settled, or such other time or times as the Committee determines provided that the time of payment satisfies the requirements of Code Section 409A and the regulations thereunder. Notwithstanding the foregoing, payment of dividend equivalents granted with respect to a stock option or stand-alone stock appreciation right shall in no event be conditioned upon the participant's exercise of the underlying option or stock appreciation right.
12. **Performance Goals.** Vesting or settlement of any benefit may be conditioned upon the achievement of such performance goals as the Committee determines, which may include, without limitation any one or more of the following:
 - i. Earnings per share
 - ii. Net earnings;
 - iii. Operating earnings;
 - iv. Return measures on stockholder equity, including total stockholder return;
 - v. Return on assets;
 - vi. Cash flow;
 - vii. Pre-tax earnings;
 - viii. Sales;
 - ix. Operating margin;
 - x. Pre-tax margins;
 - xi. Pre-tax or after-tax return on invested capital;
 - xii. Pre-tax or after-tax return on equity;
 - xiii. Gross profit margin; or
 - xiv. Stock price.

Each performance goal may be expressed on an absolute and/or relative basis and may be expressed in terms of growth in or maintenance of a specified performance goal, and may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or any business unit thereof, and/or the past or current performance of other companies. The award agreement shall define the applicable performance goal, which definition may provide for adjustments and may include or exclude items, including but not limited to: realized investment gains and losses; other comprehensive income and accumulated other comprehensive income; extraordinary, unusual or infrequent items; effects of accounting changes, currency fluctuations, acquisitions, divestitures, or financing activities; expenses for restructuring or productivity initiatives and other non-operating items; provided, however, that except as otherwise provided by the Committee, the meaning of any term used in a performance goal that has an established definition under generally accepted accounting principles or generally accepted auditing standards shall have such meaning.

13. **Non-transferability.** Incentive stock options, nonqualified stock options and other benefits granted under this Plan shall not be transferable for value or consideration other than by will or the laws of descent and distribution and each stock option and stock appreciation right shall be exercisable during the participant's lifetime only by the participant or the participant's guardian or legal representative.
14. **Change in Control.** Notwithstanding any other provision of the Plan to the contrary, other than with respect to those awards granted under the Prior Plan, in the event of a participant's termination of employment by the Company without Cause or by a participant for Good Reason, in either case within twenty-four (24) months following a change in control of the Company, all outstanding stock options and stock appreciation rights shall become immediately exercisable and all other benefits shall immediately vest with all performance goals deemed fully achieved at 100% of target levels, in each case as of the date of the participant's qualifying termination of employment. For these purposes, a "change in control" shall be deemed to have occurred if the event set forth in any one of the following subparagraphs shall have occurred:

- a. any person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (c) below; or
- b. the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or
- c. there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation immediately following which the directors of the Company immediately prior to such merger or consolidation continue to constitute at least a majority of the board of directors of the Company, the surviving entity or any parent thereof or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (any securities acquired directly from the Company or its affiliates shall not be included in the securities Beneficially Owned by such Person) representing 20% or more of the combined voting power of the Company's then outstanding securities; or
- d. the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement (or series of related agreements) for the sale or disposition by the Company of all or substantially all of the Company's assets, disregarding any sale or disposition to a company at least a majority of the directors of which were directors of the Company immediately prior to such sale or disposition.

For purposes of this paragraph 14 and the "change of control" definition, the following terms shall have the meaning set forth below:

"Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

"Cause" shall mean (i) the willful and continued failure of the participant to substantially perform the participant's duties (other than a failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the participant by the Board of Directors of the Company, the Compensation Committee or an elected officer of the Company which specifically identifies the manner in which the Board of Directors, the Compensation Committee or the elected officer believes that the participant has not substantially performed the participant's duties, or (ii) the willful engaging by the participant in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company. However no act, or failure to act, on the participant's part shall be considered "willful" unless done, or omitted to be done, by the participant not in good faith and without reasonable belief that the participant's action or omission was in the best interest of the Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Good Reason" shall mean the existence of one or more of the following conditions arising without the consent of the participant: (i) a material diminution in the participant's base compensation; (ii) a material diminution in the participant's authority, duties or responsibilities; (iii) a material diminution in the authority, duties or responsibilities of the supervisor to whom the participant is required to report; (iv) a material diminution in the budget over which the participant retains authority; (v) a material change in the geographic location at which the participant must perform services; or (vi) any other action or inaction that constitutes a material breach by the Company of any agreement under which the participant provides services. Notwithstanding the foregoing, to constitute a Good Reason, the participant must provide written notice of the existence of Good Reason to the Company within 90 days of the initial existence of the foregoing conditions. Upon receipt of such notice, the Company shall have 30 days in which to remedy the condition. If the Company timely and fully remedies the condition, the participant shall not have the right to terminate employment for Good Reason based on such remedied condition. If the Company fails to timely and fully remedy the condition, the participant may terminate employment for Good Reason.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company.

15. Award Agreements; Other Provisions.

- a. The terms and conditions of any benefit shall be set forth in an award agreement, which may also include such other provisions (whether or not applicable to the benefit awarded to any other participant) as the Committee determines appropriate, including such provisions as may be required to comply with federal or state securities laws and stock exchange requirements and understandings or conditions as to the participant's employment.
- b. Notwithstanding anything to the contrary in the Plan, other than with respect to those awards granted under the Prior Plan, any benefit awarded under the Plan shall be subject to a minimum vesting period of at least one year commencing on the date of grant; provided, however, (i) the Committee may award benefits in the aggregate covering up to five percent (5%) of the total number of shares of common stock of the Company authorized under this Plan without regard to the foregoing minimum vesting period, (ii) the Committee, or an award agreement, may accelerate the date on which all or any portion of a benefit awarded under the Plan may be vested upon a participant's death, disability or retirement, and (iii) the foregoing minimum vesting period shall not apply upon a participant's termination of service without Cause or for Good Reason within twenty-four (24) months following a Change in Control (as such terms are defined in paragraph 14).
- c. Any restricted stock awarded under the Plan (other than any shares of restricted stock awarded under the Prior Plan) to an officer subject to Section 16 of the Exchange Act shall be subject to a minimum holding period of at least one year following the vesting date; provided, however, such minimum holding period shall terminate upon such officer's termination of employment and shall not apply with respect to any shares of common stock of the Company that such officer tenders for purposes of the payment of all or a portion of taxes arising in connection with the vesting of such award.

16. Settlement of Benefits; Compliance with Section 409A.

- a. All benefits shall be settled by the transfer of cash or stock, as the Committee determines, regardless of the method set forth in the award agreement, upon exercise or at such other time or times as set forth in the award agreement. Anything else contained in this Plan or an award agreement to the contrary notwithstanding, the Committee may settle any benefit by the transfer either of cash, of shares of common stock with an equivalent fair market value, or a combination of cash and stock, and the manner of settlement shall not affect the original characterization of the benefit, except that a transfer of stock in settlement of performance units or dividend equivalents originally designated to be settled in cash shall reduce the number of shares of stock available for issuance under the Plan.
- b. It is the Company's intent that any benefits granted under this Plan be structured to be exempt from Section 409A of the Code, including all Treasury Regulations and other guidance issuance pursuant thereto or to comply with the requirements of deferred compensation subject to Section 409A. To the extent any benefit under this Plan constitutes deferred compensation as defined in Section 409A (a "409A award"), the rules of this paragraph 16 shall apply to the extent required by Section 409A, notwithstanding any provision of the Plan or any award agreement to the contrary. For purposes of this paragraph 16, a benefit shall constitute a 409A award only if and to the extent either
 - i. it is a benefit (other than a stock option, stand-alone stock appreciation right, or stock award) that is not subject to a substantial risk of forfeiture as defined in Section 409A (by reason of the participant having attained eligibility for retirement under an award agreement or employment agreement, having a definition of resignation for good reason in an employment agreement that is inconsistent with Section 409A, or otherwise), and the settlement of such benefit by the taxable payment of cash, stock or other property to the participant either actually occurs after the later of March 15 of the calendar year following the year in which the benefit ceases to be subject to a substantial risk of forfeiture (the "409A required payment date"), or the terms of the Plan or the benefit provide for the benefit to be settled after such date, or upon or after the occurrence of any event, that will or may occur later than the 409A required payment date; or
 - ii. the Committee determines in good faith that the benefit is a 409A award.
- c. If any amount becomes payable under any 409A award by reason of a participant's termination of employment, and such participant incurs a termination of employment as defined by the Plan or the benefit that is not a "separation from service," as defined by Section 409A, then the participant's right to such payment, to the extent not already vested, shall be fully vested on the date of the termination of employment, but payment shall be deferred until the earliest of (i) the date the participant incurs a separation from service (or six months thereafter to the extent required by paragraph 16(e)), (ii) the date that a "change in control event" with respect to the participant occurs as defined in Section 409A, (iii) the participant's death, and (iv) if the terms of the benefit provide for payment upon a specific vesting date, such vesting date. In such case, the Plan and benefit shall be construed as if "termination of employment" meant "separation from service." The Committee shall not exercise its discretion under the Plan in a manner inconsistent with the foregoing provisions.
- d. If any amount becomes payable under any 409A award by reason of a Change in Control, and a Change in Control occurs as defined by the Plan or the award agreement that is not a "change in control event" with respect to such participant, as defined by Section 409A, then the participant's right to such payment, to the extent not already vested, shall be fully vested on the date of the Change in Control, and the amount of such payment shall be determined as of such date, but payment shall be deferred until the earliest of (i) the date on which a change in control event occurs with respect to the participant, (ii) the date on which the participant incurs a separation from service (or six months thereafter to the extent required by paragraph 16(e)), (iii) the participant's death, and (iv) if the terms of the benefit provide for payment upon a specific vesting date, such vesting date.

- e. No amount that becomes payable under any 409A award by reason of a participant's separation from service will be made to a participant who is a "specified employee" (as defined by Section 409A) until the earlier of: (i) the first day following the sixth month anniversary of the participant's separation from service, or (ii) the participant's date of death.
 - f. To the extent that payment of any amount is required to be deferred to a specific date (the "409A deferral date") by reason of Section 409A, all amounts that would otherwise have been paid prior to the 409A deferral date shall be paid in a single lump sum on the first business day following the 409A deferral date, and the Committee may, in its sole discretion (but shall in no event be required to) permit an earlier payment to a participant to the extent necessary to alleviate a "severe financial hardship" resulting from an "unforeseeable emergency", as defined in Section 409A.
 - g. For purposes of Section 409A, each "payment" (as defined by Section 409A) made under this Plan with respect to a 409A award shall be considered a "separate payment" for purposes of Section 409A.
 - h. Any payment with respect to a 409A award that becomes payable upon a specified vesting date, as defined in the Plan or benefit, shall be paid as soon as practical after such vesting date, but not later than the last day of the calendar year in which the vesting date occurs (or, if later, the fifteenth day of the third month after the month that includes the vesting date).
 - i. No participant shall have any right to defer the amount received upon exercise of a stock option or stock appreciation right. To the extent a participant is entitled to elect to defer the amount received upon settlement of any other benefit to a non-qualified deferred compensation plan maintained by the Company, such deferral shall be elected and administered in accordance with Section 409A, and the right to defer shall be disregarded for purposes of applying the short-term deferral rules to payments made under benefits granted hereunder, as provided in Treasury Regulation Section 1.409A-1(b)(4).
 - j. The Committee shall use commercially reasonable efforts to administer this Plan and each benefit in a manner that is consistent with Section 409A. Notwithstanding the foregoing, if any benefit granted under this Plan would fail to meet the requirements of Section 409A with respect to such benefit, then such benefit shall remain in effect and be subject to taxation in accordance with Section 409A. Neither the Company nor any member of the Committee shall have any liability for any tax imposed on a participant by Section 409A, and if any tax is imposed on the participant, the participant shall have no recourse against the Company or any member of the Committee for payment of any such tax.
17. **Fair Market Value.** The fair market value of the Company's common stock at any time shall be determined on the basis of the trading price of the stock in such manner as the Committee may deem equitable or as required by applicable law or regulation which shall include regulations regarding the determination of fair market value promulgated under Code Section 409A.

18. **Adjustment Provisions**

- a. If the Company shall at any time take any action that changes, or could change, the number of issued shares of common stock or the value of the outstanding stock (including, without limitation, by reason of a stock dividend, recapitalization, reclassification, issuance of stock, issuance of rights to purchase stock, extraordinary cash dividend, issuance of securities convertible into or exchangeable for stock, merger, consolidation, stock split, reverse stock split, spin-off, combination, exchange or conversion of shares, or any other similar type of event), the Committee shall make such adjustments to the number of shares available for issuance of benefits, and to the terms of outstanding benefits, as it may in its sole discretion determine to be appropriate and equitable to prevent any increase or decrease in the value of benefits, including without limitation changes in the (i) number and kind of shares of stock or other property (including cash) that may thereafter be issued in settlement of a benefit, including outstanding benefits, (ii) exercise price, grant price, or purchase price relating to any benefit; provided that, with respect to stock options or stock appreciation rights, such adjustment shall be made in accordance with Section 424(h) of the Code, as revised in accordance with Section 409A of the Code; (iii) performance goals, and (iv) individual limitations applicable to benefits.
- b. Notwithstanding any other provision of this Plan, and without affecting the number of shares reserved or available hereunder, the Board of Directors may authorize the issuance or assumption of benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.
- c. In the event of any merger, consolidation or reorganization of the Company with any other corporation, if the Company will not be the surviving entity, the Committee may either provide for there to be substituted, on an equitable basis as determined by the Committee, for each share of common stock then reserved for issuance under the Plan and for each share of common stock then subject to a benefit granted under the Plan, the number and kind of shares of stock, other securities, cash or other property to which holders of common stock of the Company will be entitled pursuant to the transaction; or may provide for each outstanding benefit to be fully vested and for there to be paid to the holder thereof the value in cash of the benefit as established by the terms of such transaction in full settlement of the participant's rights under the benefit; provided that, in the case of a stock option or stand-alone stock appreciation right, the amount paid shall be equal to the fair market value, as so determined of the value of the stock subject to the benefit over the exercise price of the benefit, and if the fair market value does not exceed the exercise price the stock option or stock appreciation right may be cancelled without payment of additional compensation.

19. **Taxes.** The Company shall be entitled to withhold the amount of any tax attributable to any shares deliverable under the Plan after giving the person entitled to receive the shares notice as far in advance as practicable and the Company may defer making delivery as to any benefit if any such tax is payable until indemnified to its satisfaction. The Committee may, in its discretion and subject to rules which it may adopt, permit a participant to pay all or a portion of the taxes arising in connection with any benefit under the Plan by electing to have the Company withhold shares of common stock from the shares otherwise deliverable to the participant, having a fair market value equal to the amount to be withheld.
20. **Term of Program.** No benefit shall be granted more than ten years after the date of the approval of the amendments to this Plan by the stockholders of the Company as presented for approval at the 2021 annual meeting of the stockholders or any adjournment thereof.
21. **Amendment, Modification or Cancellation of Benefits.** The terms and conditions applicable to any benefits granted prior to expiration of the term of the Plan may at any time be amended, modified or canceled by the Committee, or the Committee may waive any conditions to the vesting or settlement of any such benefits; provided that, except as otherwise provided in this Plan or an award agreement, or as the Committee determines to be necessary to satisfy any applicable law (including Section 409A of the Code), the Committee shall not cancel any outstanding benefit, or amend or modify any outstanding benefit, in a manner that is materially adverse to the participant to whom such benefit was granted without the prior written consent of the participant. Furthermore, the Company will not, without stockholder approval, amend the terms of outstanding awards to reduce the exercise price of outstanding options or stock appreciation rights or cancel outstanding options or stock appreciation rights in exchange for cash, other awards or options or stock appreciation rights with an exercise price that is less than the exercise price of the original options or stock appreciation rights. Adjustments pursuant to paragraph 18 shall not be subject to the foregoing limits of this paragraph 21.
22. **Amendment or Termination of Plan.** The Board of Directors may, at any time, amend or terminate the Plan, provided that (i) no such action may adversely affect any outstanding benefit previously awarded, in the absence of written consent by the participant, except for amendments that the Board of Directors determines to be necessary to satisfy any applicable law (including Section 409A of the Code), and (ii) adjustments pursuant to paragraph 18 shall not be subject to the foregoing limit of this paragraph 22.
23. **Stockholder Approval.** The amendment and restatement of this Plan was adopted by the Board of Directors on March 1, 2021, subject to stockholder approval at the annual meeting to be held on May 6, 2021, and no benefits shall be granted under this Plan that could not have been granted under the 2016 Restatement until such approval is obtained. If stockholder approval is not obtained at the 2021 annual meeting of the stockholders or any adjournment thereof, this amendment and restatement shall be null and void; provided that in such event all outstanding benefits made pursuant to the 2016 Restatement shall remain in effect in accordance with their terms. Stockholder approval of amendments to the Plan shall be obtained if required pursuant to securities laws or exchange requirements on which the Company's stock is listed. Notwithstanding anything herein to the contrary, any and all outstanding awards granted under the Prior Plan shall continue to be outstanding and shall be subject to the appropriate terms of the Prior Plan.
24. **Clawback.** As determined appropriate by the Committee, any benefit awarded under the Plan to an officer subject to Section 16 of the Exchange Act may include provisions requiring its forfeiture (regardless of whether or not the benefit is otherwise vested) and/or recoupment by any method determined appropriate by the Committee, including but not limited to offset against other benefits under the Plan, if such benefit or any portion thereof is determined to be an Excess Award. For purposes of this section, an 'Excess Award' shall mean all or any portion of a benefit granted under the Plan that the Committee determines, in its sole discretion, either (A) was granted, vested and/or settled based on the financial results that were subsequently restated in any material respect due to conduct by the participant that the independent directors of the Board of Directors or a committee of such board determine, in their sole discretion, was knowing, intentionally fraudulent or illegal, (B) the value of such benefit was affected by the financial results that were subsequently restated in any material respect as provided in (A), or a forfeiture or recoupment is otherwise required by any provision of applicable law or exchange listing requirements.

Appendix B

Earnings Per Share GAAP Reconciliation

<u>Diluted Earnings Per Share</u>	<u>2017</u>	<u>2016</u>
WEC Energy Group GAAP EPS	\$ 3.79	\$ 2.96
Tax benefit related to Tax Cuts and Jobs Act of 2017	(0.65)	—
Acquisition costs	—	0.01
WEC Energy Group adjusted EPS	<u>\$ 3.14</u>	<u>\$ 2.97</u>

We have provided adjusted earnings per share (non-GAAP earnings per share) as a complement to, and not as an alternative to, reported earnings per share presented in accordance with GAAP. For 2017, adjusted earnings per share exclude a one-time reduction in income tax expense related to a revaluation of our deferred taxes as a result of the Tax Cuts and Jobs Act of 2017. For 2016, adjusted earnings per share exclude costs related to the acquisition of Integrys Energy Group. Neither of these items is indicative of the Company's operating performance. Therefore, we believe that the presentation of adjusted earnings per share is relevant and useful to investors to understand WEC Energy Group's operating performance. Management uses such measures internally to evaluate the Company's performance and manage its operations.

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Stockholder Information

Account information

Visit www.computershare.com/investor.

WEC Energy Group's transfer agent, Computershare, provides our registered stockholders with secure account access. Stockholders can view share balances, market value, tax documents and account statements; review answers to frequently asked questions; perform many transactions; and sign up for eDelivery, the paperless communication program. eDelivery also provides electronic delivery of annual meeting materials.

- Write to:
WEC Energy Group
c/o Computershare
P.O. Box 505000
Louisville, KY 40233-5000
- If sending overnight correspondence, mail to:
WEC Energy Group
c/o Computershare
462 S. Fourth St. - Suite 1600
Louisville, KY 40202
- Call Computershare at **800-558-9663**. Service representatives are available from 7 a.m. to 7 p.m. Central time on business days. An automated voice-response system also provides information 24 hours a day, seven days a week.

Securities analysts and institutional investors may contact our Investor Relations Line at **414-221-2592**. Stockholders who hold WEC Energy Group stock in brokerage accounts should contact their brokerage firm for account information.

Stock purchase plan

WEC Energy Group's Stock Plus Investment Plan provides a convenient way to purchase our common stock and reinvest dividends. To review the prospectus and enroll, go to wecenergygroup.com and select the Investors tab. You also may contact Computershare at **800-558-9663** to request an enrollment package. This is not an offer to sell, or a solicitation of an offer to buy, any securities. Any stock offering will be made only by prospectus.

Dividends

Dividends, as declared by the board of directors, typically are payable on the first day of March, June, September and December. Stockholders may have their dividends deposited directly into their bank accounts. Contact Computershare to request an authorization form.

Internet access helps reduce costs

You may access wecenergygroup.com for the latest information about the company. The site provides access to financial, corporate governance and other information, including Securities and Exchange Commission reports.

Annual certifications

WEC Energy Group has filed the required certifications of its chief executive officer and chief financial officer under the Sarbanes-Oxley Act regarding the quality of its public disclosures. These exhibits can be found in the company's Form 10-K for the year ended Dec. 31, 2020. The certification of WEC Energy Group's chief executive officer regarding compliance with the New York Stock Exchange (NYSE) corporate governance listing standards will be filed with the NYSE following the 2021 Annual Meeting of Stockholders. Last year, we filed this certification on May 27, 2020.



Corporate Responsibility

At WEC Energy Group, we work to align our policies and practices with the needs of our key stakeholders, including our electric and natural gas customers, communities, employees and investors. We understand that our business must support the environment and the economy of the areas we serve.

Learn more at www.wecenergygroup.com/csr



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