

MICHAEL J. AHERN
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October 7, 2013

VIA ELECTRONIC FILING

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Modification to the Affiliated Interest Agreement Related to Integrys Business Support, LLC
Docket No. G011/AI-13-__

Dear Dr. Haar:

Enclosed please find the Petition of Minnesota Energy Resources Corporation (MERC) for approval of a modification to the Master Affiliated Interest Agreement between Integrys Business Support, LLC (IBS) and its regulated utility affiliates for the cost-effective provision of shared services to MERC and other regulated entities within the Integrys holding company system.

Please feel free to contact me at (612) 340-2881 if you have any questions regarding this matter.

Sincerely yours,

/s/ Michael J. Ahern

Michael J. Ahern

cc: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Petition of Minnesota
Energy Resources Corporation For Approval
of a Modification to the Affiliated Interest
Agreement Related to the Formation and
Operation of Integrys Business Support, LLC

Docket No. G011/AI-13-_____

PETITION

INTRODUCTION

Pursuant to Minn. Stat. § 216B.48, Minn. R. 7825.2200, and ORDER INITIATING REPEAL OF RULE, GRANTING GENERIC VARIANCE, AND CLARIFYING INTERNAL OPERATING PROCEDURES in Docket No. E,G-999/CI-98-651 (Sept. 14, 1998), Minnesota Energy Resources Corporation (“MERC”) submits to the Minnesota Public Utilities Commission (“Commission”) this petition for approval of a modification to the Master Affiliated Interest Agreement (“Agreement” or “Master AIA”) between Integrys Business Support, LLC (“Integrys Support”) and its regulated utility affiliates for the cost-effective provision of shared services to MERC and other regulated entities within the Integrys Energy Group, Inc. (“Integrys”) holding company system. The modifications are proposed to become effective December 7, 2013.

I. Summary of Filing

Pursuant to Minn. R. 7829.1300, subp. 1, a one-paragraph summary of the filing is attached.

II. Service

Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this petition on the Office of the Attorney General – Antitrust and Utilities Division. The summary of the filing has been served on all parties on the attached service list.

III. General Filing Information

A. Name, Address, and Telephone Number of the Utility

Minnesota Energy Resources Corporation
2665 145th Street West
Rosemount, MN 55068
(651) 322-8901

B. Name, Address, and Telephone Number of Attorney for the Utility

Michael J. Ahern
Dorsey & Whitney LLP
50 S. Sixth Street, Suite 1500
Minneapolis, MN 55402-1498
(612) 340-2881

C. Date of the Filing and Date Proposed Agreement Will Take Effect

Date of Filing: October 7, 2013
Proposed Effective Date: December 7, 2013

D. Statute Controlling Schedule for Processing the Filing

Minn. Stat. § 216B.48 and Minn. R. 7825.2200 govern the substantive criteria for the filing. These provisions do not establish an explicit time deadline for Commission action. Under Minn. R. 7829.1400, initial comments are due within 30 days of filing, with reply comments due 10 days thereafter.

E. Utility Employee Responsible for the Filing

Tracy Kupsh
Director, IBS Operations Accounting
Integrays Business Support, LLC
700 N. Adams St.
Green Bay, WI 54301
920-433-2656
TLKupsh@integraysgroup.com

IV. Description and Purpose of Filing

A. Background

The Commission issued an order approving the Master AIA between Integrays Support and its regulated utility affiliates on March 5, 2008 in Docket No. G007,011/AI-07-779. The

Commission issued an order approving modifications to the Master AIA on May 26, 2009 in Docket No. G007,011/AI-08-1376, and also at that time issued a clarification of its approval in Docket No. G007,011/AI-07-779. The Commission approved additional modifications to the Master AIA on January 26, 2010 in Docket No. G007,011/AI-09-1244, on May 17, 2011 in Docket No. G007,011/AI-11-168, and on July 3, 2013 in Docket No. G007,011/AI-11-168. The Master AIA governs the provision of shared services, goods and property provided to or obtained from MERC and five other regulated entities within the Integrys holding company system: Wisconsin Public Service Corporation, an electric and natural gas utility; Upper Peninsula Power Company, an electric utility; Michigan Gas Utilities Corporation, a natural gas utility; The Peoples Gas Light and Coke Company, a natural gas utility; and North Shore Gas Company, a natural gas utility (collectively, the “Client Companies”). Exhibit B to the Master AIA describes in detail examples of the services that are provided by Integrys Support to the Client Companies. Exhibit C to the Master AIA describes in detail the cost allocation methods that are applied, including descriptions of the specific allocation factors identified for each service category in Exhibit B, when direct billing is not practical.

Section 2.4 of the Master AIA provides that the method of assignment or allocation of costs contemplated in the Agreement and in Exhibit C and/or the allocation factor or factors assigned to any category of service in Exhibit B may be modified by Integrys Support by replacement of the appropriate exhibits provided that (i) all services provided by Integrys Support are rendered “at cost”, (ii) such costs are fairly and equitably assigned or allocated in a manner consistent with the three-tiered methodology required by Section 2.2 of the Master AIA (direct assignment, allocation using cost/causation principles, and allocation using general allocation factors), and (iii) at least sixty (60) days prior to any change, Integrys Support provides to the Client Companies, and the Client Companies file with the Commission a revised version of the exhibits along with an indication of the changes to be made.

Consistent with Section 2.4 of the Master AIA, MERC submits for Commission approval modifications to Exhibits B and C. The modifications reflected are designed to ensure that (i) services provided by Integrys Support are rendered “at cost” as required by the Master AIA as well as federal law and (ii) such costs are fairly and equitably assigned or allocated in a manner consistent with Section 2.2 of the Master AIA and as approved by the Commission. A copy of the revised Exhibits B and C are provided in Attachment 2, and a red-lined version showing the changes made is provided in Attachment 1.

B. Description of the Agreement

The modification to Exhibits B and C are described in detail in Attachment 3, which provides the filing information required by Minn. R. 7825.2200, subp. B, and the Commission’s September 14, 1998 Order in Docket No. E,G-999/CI-98-651.

CONCLUSION

MERC respectfully requests the Commission approve this petition requesting approval of the modified Master AIA between Integrys Support and its regulated utility affiliates.

DATED: October 7, 2013

Respectfully Submitted,

DORSEY & WHITNEY LLP

By /s/Michael J. Ahern

Michael J. Ahern
Suite 1500, 50 South Sixth Street
Minneapolis, MN 55402-1498
Telephone: (612) 340-2600

Attorney for Minnesota Energy
Resources Corporation

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
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Docket No. G011/AI-13-_____

PETITION

SUMMARY OF FILING

Please take notice that on October 7, 2013, Minnesota Energy Resources Corporation (“MERC”) filed with the Minnesota Public Utilities Commission a petition for approval of a modification to the Master Affiliated Interest Agreement (“Master AIA”) between Integrys Business Support, LLC (“Integrys Support”) and its regulated utility affiliates for the cost-effective provision of shared services to MERC and other regulated entities within the Integrys holding company system.

Exhibit B – Reg AIA

1. Administrative services

Administrative services represent facility management services for owned and leased facilities and grounds, excluding power plants. This includes operations and maintenance of structures, capital improvements, interior space planning, printing services (including customer bills and inserts), security and janitorial, and acquisition and management of real estate and land rights including easements and right-of-ways.

Allocation Factors – (1) Square Footage; (2) Number of Office Moves; (3) FTE Work Estimate; (4) Number of Employees; (5) Dollars Associated with Number of Imprints; (6) Composite Allocator; (7) Number of Customers.

2. Corporate development

Corporate development refers to strategic planning, merger and acquisition analysis and support, market intelligence, project management, business and quality improvement processes, business development, asset analysis and divestiture, and resource allocation. It also consists of work performed to determine, implement and track corporate performance goals, initiatives and measures.

Allocation Factors – (1) General/Corporate.

3. Corporate secretary

Corporate secretary refers to those services required of a publicly held corporation, including shareholder, board of director and related committee meetings, consents, resolutions, minutes, and records.

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4. Environmental

Environmental refers to the performance of assessments, investigations, remediation and other activities as required to ensure compliance with applicable environmental statutes and regulations, permitting, licensing, due diligence, waste management, and emergency response.

Allocation Factors – (1) FTE Work Estimate.

5. Executive management

Executive management services refers to the executive management and oversight activities performed by officers of the company and other senior executives. Such

activities involve the formulation of general business plans and policies, selection of key management personnel, and allocation of financial resources.

Allocation Factors – (1) General/Corporate.

6. Governmental Relations, Corporate Communications, and Regulatory Processes~~External affairs~~

Governmental Relations, Corporate Communications, and Regulatory Processes~~External affairs~~ refers to the preparation and dissemination of information to employees, customers, government officials, the public and the media. It also involves administering the company's activities in the areas of governmental relations, community support and economic development, as well as the analysis and formulation of regulatory policy, rate case preparation and rate administration.

Allocation Factors – (1) Total Property, Plant and Equipment; (2) Number of Employees; (3) General/Corporate; (4) Number of Customers.

7. Financial services

Financial services refers to accounting, finance, treasury, tax, internal audit and related financial services. Examples of activities performed within these various financial disciplines includes the following: maintain corporate books and records, prepare financial and statistical reports, process payments to vendors, ensure compliance with tax laws and regulations, manage debt and maintain banking relationships, invest pension assets, establish and monitor internal controls, perform financial and risk analysis, prepare budgets and forecasts, maintain shareholder records, and communicate with the investment community.

Allocation Factors – (1) Number of Invoices Processed; (2) Number of Transactions; (3) Total Property, Plant and Equipment; (4) Number of Employees; (5) FTE Work Estimate; (6) General/Corporate.

8. Human resources

Human resources refers to the establishment and administration of policies and assuring compliance with legal requirements in the areas of employment, compensation, benefits and employee health, ~~and safety,~~ and wellness. It also involves providing payroll and employee benefit and workers compensation administration, employee training and development, recruiting and staffing services, employee communications and labor relations management.

Allocation Factors – (1) Number of Employees.

9. Information technology

Information technology refers to telecommunications and electronic data processing services such as computer operations, software development and maintenance, network support, end-user support, database administration and information systems security. It also includes infrastructure and application architecture services, website and hosting services, and disaster recovery services.

Allocation Factors – (1) Number of Personal Computers; (2) Number of Clicks; (3) Number of Phone Lines; (4) Number of Employees; (5) Application Allocator; (6) Mainframe CPU and Disk Storage; (7) Number of Devices; (8) Number of Meters; (9) Call Volume; (10) Square Footage; (11) Number of Radios; (12) Number of Mobile Data Devices; (13) Number of Customers; (14) Composite Allocator.

10. Legal services

Legal services refers to the provision of all types of legal advice and related services involving legal services related to corporate and commercial activities, contracts, litigation, regulatory matters, securities, real estate, legislative, employment and benefits, tax, and intellectual property matters. In addition, services are also provided to functional areas responsible for insurance (procurement, management and general advice), claims management, corporate records (policies, procedures and management) and compliance (compliance with laws, ethics and code of conduct).

Allocation Factors – (1) General/Corporate.

11. Supply chain

Supply chain refers to the acquisition and provision of goods and services other than fuel, energy commodities or energy transmission. Specific activities include material inventory management, contract administration services, warehousing and logistics services and the establishment of inventory standards. The category also encompasses the purchase, oversight, and maintenance of vehicles and related equipment.

Allocation Factors – (1) Total Non-Labor Spend without Fuel and Supply; (2) Number of Fleet Assets; (3) Number of Inventory TransactionsDollars Associated with Number of Inventory Issues; (4) Composite Allocator.

12. Gas-Engineering Services

Gas-Engineering services refers primarily to engineering support to gas distribution operations. Such support includes designing and monitoring the construction and maintenance of gas distribution lines and ensuring that construction activity is consistent with plans. It also involves coordinating the planning and operation of gas distribution systems, performing operational reviews of completed construction, maintenance work of gas distribution lines and operating meter shops. In addition to these gas services the Engineering group provides geospatial services, locate system support, damage prevention, and contract administration to all Integrys regulated gas

and electric affiliates. ~~Gas~~-Engineering services will also provide competitive excellence stewardship support and project management for gas distribution projects.

Allocation Factors – (1) Feet of Installed/Replaced Pipeline; (2) Number of Meters Repaired; (3) FTE Work Estimate; (4) Number of Union Employees.

13. Gas supply

Gas supply refers to administrative functions related to purchasing, marketing and selling natural gas (including hedging and other risk management tools); scheduling, interrupting and curtailing natural gas deliveries; acquiring, selling, releasing and managing pipeline transportation capacity or storage capacity; gas control operations (including measurement of gas quality and gas control compliance); and operating utility-owned underground gas storage fields. This function excludes all functions that are not ministerial in nature and excludes contract ownership, as each Client Company will continue to hold gas supply and capacity contracts in its own name.

Allocation Factors – (1) Gas Throughput; (2) Peak Day Capacity; (3) FTE Work Estimate.

14. Customer relations

Customer relations refers to the provision of services and systems dedicated to customer service, including meter reading and billing, credit, collections, customer relations, call center operations, revenue assurance, account management, market research and customer strategy. It also includes customer relations planning and compliance, customer contact services (including customer assistance), and managing customer relations subcontractors.

Allocation Factors – (1) Number of Customers; (2) Number of Transportation Customers.

15. Project Services

Project services refers to provide project management functions throughout the project life cycle from problem definition and concept development to project execution and performance validation. Offerings to affiliates include participation in business planning, Project Support Office services, problem solving and concept development, business case development, competitive excellence process improvement services, portfolio management, project management, and Dam safety program management.

Allocation Factors – (1) Hydro MW Distribution; (2) FTE work estimate; (3) Specific Project Assignment.

Exhibit C – Reg AIA

Costs will be allocated through a tiered approach. This allocation methodology reflects operational aspects of the charge and applies costs in a meaningful and impartial manner.

First and foremost, costs will be directly charged whenever appropriate and practicable. Direct charging is essentially a “100% allocation” of costs related to a particular service to the one entity receiving that service.

Second, where direct charging is not appropriate, costs will be allocated using cost causation principles that link costs related to a specific type of service to the customers receiving such service.

All other cost allocations will be broad based with a generalized cost basis proxy.

Specific Allocation Factors:

Number of Customers – Based on the average number of customers (electric and/or gas) ~~at the end of over~~ the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Employees - Based on the average number of employees included in the budget that is being prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Union Employees - Based on the average number of union employees ~~at the end of over~~ the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Meters – Based on the average number of meters (electric and/or gas) ~~at the end of in place during~~ the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Invoices Processed – Based on the average number of invoices processed ~~at the end of~~ during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transactions – Based on the average number of transactions processed in the system ~~at the end of~~ during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Personal Computers – Based on the ~~average~~ number of personal computers ~~at the end of the most recent 12 months~~ at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Phone Lines – Based on the ~~average~~ number of phone lines ~~at the end of the most recent 12 months~~ at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Mainframe CPU and Disk Storage – Based on the number of CPU cycles used by the application divided by the total number of used CPU cycles and the total bytes of data storage used by the application divided by the total bytes used for mainframe storage for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Clicks – Based on the average number of clicks on the website page ~~at the end of~~ during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Devices – Based on the number of devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Mobile Data Devices – Based on the ~~average~~ number of mobile data devices ~~at the end of the most recent 12 months~~ at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Radios – Based on the number of radios ~~for the most recent 12 months~~ at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Dollars Associated with Number of Imprints – Based on the dollars associated with the number of imprints for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Office Moves – Based on the average number of office moves for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Non-Labor Spend without Fuel and Supply – Based on the average ~~total non-labor~~ spend ~~excluding fuel and supply at the end of during~~ the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Property, Plant and Equipment – Based on average property, plant and equipment ~~at the end of balances~~ during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Square Footage – Based on average square footage occupied for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Call Volume – Based on average call volume ~~during of~~ the most recent calendar year at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Application Allocator – Based on the allocation of the specific application being worked on. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Specific Project Assignment - This indicates that Project Services is allowed to use any one of the existing allocation factors in this Exhibit C, such that costs associated with Project Services are allocated based on the nature of the project they are supporting.

Full Time Equivalent (FTE) Work Estimate – Based on a recurring, predictable level of service. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Composite Allocator Based on Total Historical Billings for an IBS functional service as defined in Exhibit B - Based on the total O&M billings for the most recent 12 months at the time the budget is prepared or total O&M billings for the previous calendar year. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this

factor, if not all Companies are receiving the service). This ratio will be determined annually and/or such time as may be required due to significant change in circumstance.

General/Corporate – Based on an equal weighting of a 13-month average of assets (excluding hedge assets, goodwill, and non-ordinary assets) for the most recent 13 months at the time the budget is prepared and average annual O&M costs (excluding fuel costs) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Gas Throughput – Based on gas throughput in dekatherms (sales and transportation) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Feet of Installed/Replaced Pipeline – Based on average number of feet installed/replaced for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

~~*Dollars Associated with Number of Inventory Issues*~~ ~~*Number of Inventory Transactions*~~ – Based on the ~~dollars associated with the~~ number of inventory ~~transactions~~ issues for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

~~*Number of Fleet Assets*~~ – Based on the average number of fleet assets ~~at the end of~~ during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Hydro MW Distribution – Based on the percentage per hydro region of rated generation in megawatts (MW), the numerator of which is for an individual hydro region and the denominator of which is for all hydro regions. This ratio will be revised annually at budget time if there are additions or deletions of hydro units, or changes in ownership percentages of existing hydro units, within the hydro regions.

Number of Meters Repaired – Based on the average number of meters repaired ~~at the end of for~~ the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Peak Day Capacity (gas) – Based on the highest daily send out in terms (excluding transportation) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transportation Customers – Based on the average number of transportation customers ~~at the end of for~~ the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

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Corporate development refers to strategic planning, merger and acquisition analysis and support, market intelligence, project management, business and quality improvement processes, business development, asset analysis and divestiture, and resource allocation. It also consists of work performed to determine, implement and track corporate performance goals, initiatives and measures.

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8. Human resources

Human resources refers to the establishment and administration of policies and assuring compliance with legal requirements in the areas of employment, compensation, benefits and employee health, safety, and wellness. It also involves providing payroll and employee benefit and workers compensation administration, employee training and development, recruiting and staffing services, employee communications and labor relations management.

Allocation Factors – (1) Number of Employees.

9. Information technology

Information technology refers to telecommunications and electronic data processing services such as computer operations, software development and maintenance,

network support, end-user support, database administration and information systems security. It also includes infrastructure and application architecture services, website and hosting services, and disaster recovery services.

Allocation Factors – (1) Number of Personal Computers; (2) Number of Clicks; (3) Number of Phone Lines; (4) Number of Employees; (5) Application Allocator; (6) Mainframe CPU and Disk Storage; (7) Number of Devices; (8) Number of Meters; (9) Call Volume; (10) Square Footage; (11) Number of Radios; (12) Number of Mobile Data Devices; (13) Number of Customers; (14) Composite Allocator.

10. Legal services

Legal services refers to the provision of all types of legal advice and related services involving legal services related to corporate and commercial activities, contracts, litigation, regulatory matters, securities, real estate, legislative, employment and benefits, tax, and intellectual property matters. In addition, services are also provided to functional areas responsible for insurance (procurement, management and general advice), claims management, corporate records (policies, procedures and management) and compliance (compliance with laws, ethics and code of conduct).

Allocation Factors – (1) General/Corporate.

11. Supply chain

Supply chain refers to the acquisition and provision of goods and services other than fuel, energy commodities or energy transmission. Specific activities include material inventory management, contract administration services, warehousing and logistics services and the establishment of inventory standards. The category also encompasses the purchase, oversight, and maintenance of vehicles and related equipment.

Allocation Factors – (1) Total Non-Labor Spend without Fuel and Supply; (2) Number of Fleet Assets; (3) Number of Inventory Transactions; (4) Composite Allocator.

12. Engineering Services

Engineering services refers primarily to engineering support to gas distribution operations. Such support includes designing and monitoring the construction and maintenance of gas distribution lines and ensuring that construction activity is consistent with plans. It also involves coordinating the planning and operation of gas distribution systems, performing operational reviews of completed construction, maintenance work of gas distribution lines and operating meter shops. In addition to these gas services the Engineering group provides geospatial services, locate system support, damage prevention, and contract administration to all Integrys regulated gas and electric affiliates. Engineering services will also provide competitive excellence stewardship support and project management for gas distribution projects.

Allocation Factors – (1) Feet of Installed/Replaced Pipeline; (2) Number of Meters Repaired; (3) FTE Work Estimate; (4) Number of Union Employees.

13. Gas supply

Gas supply refers to administrative functions related to purchasing, marketing and selling natural gas (including hedging and other risk management tools); scheduling, interrupting and curtailing natural gas deliveries; acquiring, selling, releasing and managing pipeline transportation capacity or storage capacity; gas control operations (including measurement of gas quality and gas control compliance); and operating utility-owned underground gas storage fields. This function excludes all functions that are not ministerial in nature and excludes contract ownership, as each Client Company will continue to hold gas supply and capacity contracts in its own name.

Allocation Factors – (1) Gas Throughput; (2) Peak Day Capacity; (3) FTE Work Estimate.

14. Customer relations

Customer relations refers to the provision of services and systems dedicated to customer service, including meter reading and billing, credit, collections, customer relations, call center operations, revenue assurance, account management, market research and customer strategy. It also includes customer relations planning and compliance, customer contact services (including customer assistance), and managing customer relations subcontractors.

Allocation Factors – (1) Number of Customers; (2) Number of Transportation Customers.

15. Project Services

Project services refers to provide project management functions throughout the project life cycle from problem definition and concept development to project execution and performance validation. Offerings to affiliates include participation in business planning, Project Support Office services, problem solving and concept development, business case development, competitive excellence process improvement services, portfolio management, project management, and Dam safety program management.

Allocation Factors – (1) Hydro MW Distribution; (2) FTE work estimate; (3) Specific Project Assignment.

Exhibit C – Reg AIA

Costs will be allocated through a tiered approach. This allocation methodology reflects operational aspects of the charge and applies costs in a meaningful and impartial manner.

First and foremost, costs will be directly charged whenever appropriate and practicable. Direct charging is essentially a “100% allocation” of costs related to a particular service to the one entity receiving that service.

Second, where direct charging is not appropriate, costs will be allocated using cost causation principles that link costs related to a specific type of service to the customers receiving such service.

All other cost allocations will be broad based with a generalized cost basis proxy.

Specific Allocation Factors:

Number of Customers – Based on the average number of customers (electric and/or gas) over the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Employees - Based on the average number of employees included in the budget that is being prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Union Employees - Based on the average number of union employees over the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Meters – Based on the average number of meters (electric and/or gas) in place during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Invoices Processed – Based on the average number of invoices processed during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transactions – Based on the average number of transactions processed in the system during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Personal Computers – Based on the number of personal computers at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Phone Lines – Based on the number of phone lines at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Mainframe CPU and Disk Storage – Based on the number of CPU cycles used by the application divided by the total number of used CPU cycles and the total bytes of data storage used by the application divided by the total bytes used for mainframe storage for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Clicks – Based on the average number of clicks on the website page during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Devices – Based on the number of devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Mobile Data Devices – Based on the number of mobile data devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Radios – Based on the number of radios at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Dollars Associated with Number of Imprints – Based on the dollars associated with the number of imprints for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Office Moves – Based on the average number of office moves for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Non-Labor Spend without Fuel and Supply – Based on the average non-labor spend excluding fuel and supply during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Property, Plant and Equipment – Based on average property, plant and equipment balances during the most recent 12 months at the time the budget is prepared. The

numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Square Footage – Based on average square footage occupied for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Call Volume – Based on average call volume during the most recent calendar year at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Application Allocator – Based on the allocation of the specific application being worked on. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Specific Project Assignment - This indicates that Project Services is allowed to use any one of the existing allocation factors in this Exhibit C, such that costs associated with Project Services are allocated based on the nature of the project they are supporting.

Full Time Equivalent (FTE) Work Estimate – Based on a recurring, predictable level of service. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Composite Allocator Based on Total Historical Billings for an IBS functional service as defined in Exhibit B - Based on the total O&M billings for the most recent 12 months at the time the budget is prepared or total O&M billings for the previous calendar year. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service). This ratio will be determined annually and/or such time as may be required due to significant change in circumstance.

General/Corporate – Based on an equal weighting of a 13-month average of assets (excluding hedge assets, goodwill, and non-ordinary assets) for the most recent 13 months at the time the budget is prepared and average annual O&M costs (excluding fuel costs) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Gas Throughput – Based on gas throughput in dekatherms (sales and transportation) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Feet of Installed/Replaced Pipeline – Based on average number of feet installed/replaced for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Inventory Transactions– Based on the number of inventory transactions for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Fleet Assets – Based on the average number of fleet assets during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Hydro MW Distribution – Based on the percentage per hydro region of rated generation in megawatts (MW), the numerator of which is for an individual hydro region and the denominator of which is for all hydro regions. This ratio will be revised annually at budget time if there are additions or deletions of hydro units, or changes in ownership percentages of existing hydro units, within the hydro regions.

Number of Meters Repaired – Based on the average number of meters repaired for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific

Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Peak Day Capacity (gas) – Based on the highest daily send out in therms (excluding transportation) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transportation Customers – Based on the average number of transportation customers for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

ATTACHMENT 3
REQUIRED FILING INFORMATION

Pursuant to Minn. R. 7825.2200, subp. B, and the September 14, 1998 ORDER INITIATING REPEAL OF RULE, GRANTING GENERIC VARIANCE, AND CLARIFYING INTERNAL OPERATING PROCEDURES in Docket No. E,G-999/CI-98-651, Minnesota Energy Resources Corporation (“MERC”) provides the following information:

1. Identity of the affiliated parties.

The Master Affiliated Interest Agreement (“Agreement” or “Master AIA”) is between Integrys Business Support, LLC, Michigan Gas Utilities Corporation, Minnesota Energy Resources Corporation, North Shore Gas Company, The Peoples Gas Light and Coke Company, Upper Peninsula Power Company, and Wisconsin Public Service Corporation.

2. A general description of the nature and terms of the Agreement, including the effective date of the contract or arrangement and the length of the contract or arrangement.

a. Description of the Master AIA

The Master AIA provides the terms and conditions under which Integrys Support provides professional and other services to its regulated utility affiliates, including MERC. Under the Master AIA, Integrys Support currently provides a wide range of services to the regulated affiliates, including the following:

- administrative services
- corporate development
- corporate secretary
- environmental
- executive management
- governmental relations, corporate communications, and regulatory processes
- financial services
- human resources
- information technology
- legal services
- supply chain
- engineering services
- gas supply
- customer relations
- project services.

Exhibit B to the Master AIA describes in detail examples of the services to be provided under each of these general categories. Normal services provided by a service company under a holding company arrangement in addition to those listed above and in the Master AIA may be provided by Integrys Support from time to time to its regulated affiliates under the terms and

conditions of the Agreement. Exhibit C to the Master AIA describes in detail the cost allocation methods that are applied, including descriptions of the specific allocation factors identified for each service category in Exhibit B to the Master AIA, when direct billing to one of the Client Companies is not practical.

b. Description of modifications to the Agreement

The modifications to the agreement include clarifications to Exhibits B and C. Exhibit B shows the service categories and descriptions that Integrys Business Support, LLC provides under the AIA. Exhibit C shows the allocation factors. Attached are a revision marked version, showing changes from the currently effective version (Attachment 1), and a clean version (Attachment 2) of the exhibits. The proposed changes would (1) clarify the scope of “Administrative services” by specifying that services include coverage of facilities “and grounds” and printing “including customer bills and inserts;” (2) rename “External affairs” to the more descriptive “Governmental Relations, Corporate Communication, and Regulatory Process;” (3) indicate that “Human resources” includes “wellness” in addition to health and safety and add workers compensation to benefits administration; (4) provide clearer information about “Information technology” services; (5) indicate that the “standards” that are part of “Supply chain” services are “inventory” standards; (6) clarify the scope of “Gas engineering services” and change the name to “Engineering services” to reflect some work that is performed for electric utilities; (7) indicate that the gas control function within “Gas supply” includes measurement and compliance; and (8) clarify that “Customer relations” includes planning and compliance, in addition to managing subcontractors.

An additional change to Exhibit B would revise two of the “Supply chain” allocators to more precisely define “Total Spend” and replace “Dollars Associated with Number of Inventory Issues” with “Number of Inventory Transactions.” Both of these items have corresponding changes in Exhibit C. The change creates a more accurate representation of the services using this allocator. The “dollars” allocator could quickly distort the efforts involved in the service, and, after careful consideration, the company determined that the “number of inventory transactions” is a more accurate indicator of the service provided. Other changes to Exhibit C aim, in several allocators, to define more precisely the time period for which data are gathered for the determination.

All of the modifications will remain in effect until either amended or terminated.

3. Copy of the Agreement.

Attachment 1 provides a red-lined version indicating the proposed changes. Attachment 2 contains the revised documents (Exhibit B and Exhibit C).

4. A list and the past history of all contracts or agreements outstanding between the utility and the affiliate, the consideration received by the affiliate for such contracts or agreements, and a summary of the relevant cost records pertaining to these ongoing transactions.

a. Past History

As mentioned, the Commission issued an order approving the Master AIA between Integrys Support and its regulated utility affiliates on March 5, 2008 in Docket No. G007,011/AI-07-779. Following approval of the Master AIA, the affiliated interest agreements approved by the Commission in Docket Nos. G007,011/AI-06-1052 and G007,011/AI-06-1416 remained in effect to the extent they relate to certain inter-company services that cannot efficiently or cost-effectively be provided by a centralized service company.

The Commission issued an order approving modifications to the Master AIA on May 26, 2009 in Docket No. G007,011/AI-08-1376. At that time, the Commission also clarified its approval of the Master AIA in Docket No. G007,011/AI-07-779. The Commission also issued orders approving modifications to the Master AIA on January 26, 2010 in Docket No. G007,011/AI-09-1244, on May 17, 2011 in Docket No. G-007,011/AI-11-168, and on July 3, 2013 in Docket No. G007,011/AI-12-910.

Since the Commission approved MERC's acquisition of Aquila's Minnesota natural gas operations, the Commission has approved three petitions for approval of affiliated interest agreements in addition to the Master AIA and modifications to the Master AIA. The three dockets are:

- Request by MERC for Approval of an Affiliated Interest Agreement between WPS Resources Corporation (now Integrys) and Its Public Utility Subsidiaries, Docket No. G007,011/AI-06-1052, approved by Commission order on March 18, 2008;
- Request by MERC for Approval of Wisconsin Public Service Corporation's Gas Supply Procedures, Docket No. G007,011/AI-06-1416, approved by Commission order on March 5, 2008; and
- Request by MERC for Approval of Tax Allocation Agreements, Docket No. G007,011/07-1241, approved by Commission order on July 21, 2008.

In addition, on July 12, 2010, MERC submitted a Petition for Approval of an Affiliated Interest Agreement between Integrys Energy Group, Inc. ("Integrys") and all of the wholly-owned regulated subsidiaries of Integrys, including MERC, all wholly-owned non-regulated subsidiaries of Integrys, and one partially-owned regulated subsidiary of Integrys in Docket No. G007,011/AI-10-783. This Agreement is currently undergoing regulatory review in Minnesota. The Illinois Commerce Commission issued its order approving the Agreement on December 15, 2010. The Public Service Commission of Wisconsin ("PSCW") issued a final decision on January 23, 2012, and an amended final decision on April 3, 2012. In the Amended Decision, the PSCW accepted the changes required by the Illinois Commerce Commission.

b. Consideration Received

The consideration received by the affiliate is summarized in the dockets listed above. Services are provided "at cost" under the Master AIA and allocated as discussed below pursuant to a three-tiered methodology.

c. Summary of the Relevant Cost Records

The relevant cost records have been reviewed in the Company's prior rate cases, and will again be subject to review in future rate cases.

4. A descriptive summary of the pertinent facts and reasons why such contract or agreement is in the public interest.

MERC believes the modifications to the Master AIA are in the public interest because they are designed to ensure that (i) services provided by Integrys Support are rendered "at cost" as required by the Master AIA as well as federal law and (ii) such costs are fairly and equitably assigned or allocated in a manner consistent with Section 2.2 of the Master AIA and as approved by the Commission. Additionally, MERC believes these modifications will provide clearer information to consumers about what each service group does.

5. Amount of compensation and, if applicable, a brief description of the cost allocation methodology or market information used to determine price.

The modifications do not change the cost allocation methodology used in the Master AIA. Services under the Master AIA are provided "at cost," including direct and indirect labor and overheads among other cost loaders; Integrys Support recovers all of the costs of providing these services by direct billing whenever practicable and, where direct billing is not practicable, pursuant to cost allocation methodologies described on Exhibit C of the Master AIA. The cost of providing these services is charged and recovered by Integrys Support such that each service taker is paying for each service "at cost." Costs incurred by Integrys Support are allocated through a tiered approach.

First and foremost, costs are directly assigned whenever practicable. Second, in cases where direct charges cannot be readily determined or where direct charging is impractical, costs will be allocated using cost/causation principles linked to the relationship of costs to that type of service. Third, where cost/causation principles cannot be clearly established, allocations are based on broad general allocation factors that are a reasonable proxy for cost causation.

6. If the service or good acquired from an affiliate is competitively available, an explanation of whether competitive bidding was used.

Competitive bidding is not available to obtain the unique bundle of services that may most efficiently and cost effectively be obtained from Integrys Support. The Master AIA provides, however, that MERC and its regulated affiliates may purchase such bundle of services from another provider if it is demonstrated to Integrys Support that the other provider can provide a comparable bundle of services at a lower all-in price than Integrys Support, and further that the provision of such services by a provider other than Integrys Support will provide an overall benefit to the Integrys holding company system.

7. Whether the affiliate would have access to customer information, such as customer name, address, usage, or demographic information.

The Master AIA provides that Integrys Support will follow applicable state and federal regulations with respect to sharing of confidential information it receives from one regulated affiliate with another. In addition, the Master AIA provides that all parties must treat

information obtained from or regarding the other parties as confidential and that confidential information shall be shared among the parties only as certain people need to know to perform under the Master AIA. The proposed changes do not affect access to customer information.

VERIFICATION

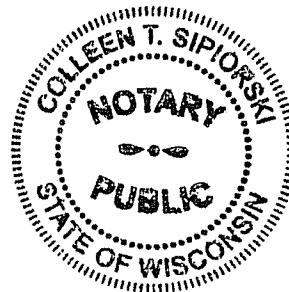
STATE OF WISCONSIN)
) SS
COUNTY OF Brown)

Tracy Kupsh, being first duly sworn, upon oath states that she is the Manager, IBS Business Accounting, of Integrys Business Support, LLC; that she has read the foregoing Petition by her subscribed and knows the contents thereof; and that said contents are true to the best of her knowledge.

By: Tracy Kupsh
Tracy Kupsh
Director, IBS Business Accounting

Subscribed and sworn to before me this
7th day of October, 2013.

Colleen T. Sypiorski
Notary Public
My Commission Expires
April 16, 2017



AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

Kristin M. Stastny hereby certifies that on the 7th day of October, 2013, on behalf of Minnesota Energy Resources Corporation (MERC) she electronically filed a true and correct copy of the enclosed Petition on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

/s/ Kristin M. Stastny
Kristin M. Stastny

Subscribed and sworn to before me
this 7th day of October, 2013.

/s/ Alice Jaworski
Notary Public, State of Minnesota

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Michael	Bradley	bradley@moss-barnett.com	Moss & Barnett	4800 Wells Fargo Ctr 90 S 7th St Minneapolis, MN 55402-4129	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Daryll	Fuentes	N/A	USG	550 W. Adams Street Chicago, IL 60661	Paper Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Richard	Haubensak	RICHARD.HAUBENSAK@CONSTELLATION.COM	Constellation New Energy Gas	Suite 200 12120 Port Grace Boulevard La Vista, NE 68128	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Tracy	Kupsh	TLKupsh@integrysgroup.com	Integrays Business Support, LLC	700 N. Adams St. Green Bay, WI 54301	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Brian	Meloy	brian.meloy@leonard.com	Leonard, Street & Deinard	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest
Gregory	Walters	gjwalters@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	3460 Technology Dr. NW Rochester, MN 55901	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_Affiliated Interest