



2200 IDS Center
80 South 8th Street
Minneapolis MN 55402-2157
tel 612.977.8400
fax 612.977.8650

April 3, 2015

Michael C. Krikava
(612) 977-8566
mkrikava@briggs.com

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 Seventh Place East
St. Paul, MN 55101

**Re: In the Matter of the Report of Minnesota Energy Resources Corporation on the
Merger of Wisconsin Energy Corporation and Integrys Energy Group, Inc.
Docket No. G011/PA-14-664**

Dear Mr. Wolf:

Minnesota Energy Resources Corporation (“MERC”) respectfully submits its Update on the Wisconsin Energy Corporation and Integrys Energy Group, Inc. Merger.

By copy of this letter all parties of record have been served.

Very truly yours,

Briggs and Morgan, P.A.

/s/ Michael C. Krikava

Michael C. Krikava

MCK/rlr

Cc: Service list

CERTIFICATE OF SERVICE

IN THE MATTER OF MERC 011 – REPORT OF MERC **MPUC DOCKET No. G011/PA-14-664**
ON THE MERGER OF WISCONSIN ENERGY CORPORATION
AND INTEGRYS ENERGY GROUP, INC.

Theresa Senart hereby certifies that on the 3rd day of April, 2015, she served copies of **MINNESOTA ENERGY RESOURCES CORPORATION'S UPDATE ON THE WISCONSIN ENERGY CORPORATION AND INTEGRYS ENERGY GROUP, INC. MERGER** by posting the same on www.edockets.state.mn.us. Said document is also served via U.S. Mail or e-mail as designated on the attached Official Service List on file with the Minnesota Public Utilities Commission in the above-referenced docket.

s/Theresa Senart
Theresa Senart

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	OFF_SL_14-664_Official
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	Yes	OFF_SL_14-664_Official
Elizabeth	Brama	ebrama@briggs.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-664_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_14-664_Official
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-664_Official
Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th Street West Rosemount, MN 55068	Electronic Service	No	OFF_SL_14-664_Official
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	Yes	OFF_SL_14-664_Official
Zeviel	Simpser	zsimpser@briggs.com	Briggs and Morgan PA	2200 IDS Center 80 South Eighth Street Minneapolis, MN 554022157	Electronic Service	No	OFF_SL_14-664_Official
Kristin	Stastny	stastny.kristin@dorsey.com	Dorsey & Whitney LLP	50 South 6th Street Suite 1500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-664_Official
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_14-664_Official

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
John Tuma
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Report of Minnesota Energy Resources Corporation on the Merger of Wisconsin Energy Corporation and Integrys Energy Group, Inc.

Docket No. G011/PA-14-664

**MERC UPDATE ON THE WISCONSIN ENERGY CORPORATION AND
INTEGRYS ENERGY GROUP, INC. MERGER**

I. INTRODUCTION

Minnesota Energy Resources Corporation (“MERC”) respectfully submits this filing to the Minnesota Public Utilities Commission (“Commission”) to provide updated information on the Wisconsin Energy Corporation (“WEC”) and Integrys Energy Group, Inc. (“Integrys”) merger proceedings in other jurisdictions as provided in the Commission’s February 24, 2015 Order Finding Jurisdiction, Granting Variance, and Establishing Procedures (“February 24 Order”).¹

In addition, this filing provides the Commission with an update on the constructive dialogue that has occurred between MERC and the Department of Commerce (“Department”) and the Office of Attorney General (“OAG”) regarding potential conditions for the Commission to include in an Order approving the merger between WEC and Integrys (“Proposed Transaction”). While MERC and the agencies have not agreed on all potential conditions, the

¹ *In the Matter of a Request for Approval of the Merger Agreement between Integrys Energy Group, Inc. and Wisconsin Energy Corporation*, Docket No. G-011/PA-14-664 (*Integrys/WEC Merger*), Order Finding Jurisdiction, Granting Variance, and Establishing Procedures (“February 24 Order”) (Feb. 24, 2015).

dialogue allowed the parties to narrow the issues substantially for the Commission's consideration.

Finally, at the last agenda meeting on this matter, there was considerable dialogue over whether the Commission has technical "jurisdiction" over MERC's participation in the transaction. In its February 24 Order, the Commission explicitly found that it has jurisdiction under Minn. Stat. §§ 216B.48 and 216B.50 to determine whether the proposed merger is consistent with the public interest.² MERC will not oppose this finding in this case.

In short, MERC respectfully requests that the Commission approve the merger and adopt the set of agreed-upon conditions set forth in Attachment A to this filing. The record in this case shows the merger is clearly in the public interest:

- No adverse change will occur in the Commission's regulation of MERC's rates, standards and practices;
- Substantial steps have been taken to insulate Minnesota ratepayers from any potential adverse effects of the merger;
- The combined holding company will be a much stronger platform which will benefit MERC and its customers; and
- MERC will continue to be subject to the Commission's plenary authority for all activities in Minnesota.

MERC requests that the Commission not include conditions such as (i) a rate moratorium or (ii) required merger savings or bill credits as conditions. MERC believes that such additional conditions go beyond the Commission's applicable standard ("consistent with the public interest"³) and are not supported by the record in Minnesota. Finally, MERC respectfully

² *Id.* at 2.

³ Minn. Stat. § 216B.50 (emphasis added).

requests that the Commission approve the merger during a Commission agenda meeting in May of 2015 to allow for timely consummation of the transaction.

II. BACKGROUND

On June 22, 2014, WEC entered into the Proposed Transaction with Integrys.⁴ The Proposed Transaction will result, in part, in the creation of a new holding Company – WEC Energy Group, Inc. (“WEC Energy Group”).⁵ Under the Proposed Transaction, WEC Energy Group will become the corporate parent of Integrys and the ultimate parent company of MERC.⁶

On August 6, 2014, MERC submitted a Petition to the Commission to provide notice and information about the Proposed Transaction between WEC and Integrys.⁷ In its Petition, MERC explained that the Proposed Transaction will result in MERC achieving greater investment in infrastructure as well as an increase in geographic and asset diversity, which will enable WEC Energy Group to meet the demands of the changing energy industry.⁸ Also, the Proposed Transaction will not directly affect MERC’s day-to-day operations, its capitalization, its service to Minnesota customers, or its rates.⁹ Overall, the Proposed Transaction will create a premier regulated utility system in the Midwest in which MERC is both a financially and operationally stronger utility.¹⁰ As part of seeking Commission’s approval, MERC made these commitments:

- MERC will not request to recover the acquisition costs or any acquisition premium of the Proposed Transaction from Minnesota ratepayers;
- MERC will honor all existing labor contracts;

⁴ *Integrys/WEC Merger*, Petition, at 7 (Aug. 6, 2014).

⁵ *Id.*

⁶ *Id.* at 8.

⁷ *Integrys/WEC Merger*, Petition.

⁸ *Id.* at 9-10.

⁹ *Id.* at 10.

¹⁰ *Id.* at 14.

- There will be no workforce reductions at MERC as result of the Proposed Transaction, except through natural attrition; and
- MERC will maintain its current level of charitable contributions and community involvement after the closing of the Proposed Transaction.¹¹

These commitments are summarized on Attachments A and C and are included in the list of consensus conditions that MERC believes are supported by this record.

Between September 30, 2014 and December 12, 2014, the Department, the OAG, and MERC filed comments and reply comments regarding the Proposed Transaction.¹² The Department recommended approval of the Proposed Transaction with conditions.¹³ The Department's proposed conditions included:

- MERC will not attempt to recover the acquisition premium or the costs of executing the proposed transaction from its utility customers (agreed to by MERC);
- MERC will maintain or improve its existing service quality and reliability indices over the next two years (agreed to by MERC as modified to confirm that service quality degradation unrelated to the merger is not included in this condition);
- MERC will not make any material workforce reductions beyond what might occur through attrition for at least two years (agreed to by MERC);

¹¹ *Integrys/WEC Merger*, Petition, at 8, 11, 17 (Aug. 6, 2014).

¹² *Integrys/WEC Merger*, Comments of the Minnesota Department of Commerce, Division of Energy Resources (Oct. 20, 2014); *Integrys/WEC Merger*, Comments of the Office of the Attorney General – Antitrust and Utilities Division (Oct. 20, 2014); *Integrys/WEC Merger*, MERC's Reply Comments (Oct. 30, 2014); *Integrys/WEC Merger*, Reply Comments of the Attorney General – Antitrust and Utilities Division (Oct. 30, 2014); *Integrys/WEC Merger*, Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources (Nov. 24, 2014); *Integrys/WEC Merger*, Letter re: supplemental information (Nov. 24, 2014); *Integrys/WEC Merger*, Revised Letter re: Supplemental Information (Nov. 25, 2014); *Integrys/WEC Merger*, MERC's Supplemental Reply Comments (Dec. 12, 2014).

¹³ *Integrys/WEC Merger*, Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources, at 6.

- Any conditions that benefit ratepayers of Integrys’ other operating companies will be applicable to MERC and its customers (not agreed to by MERC but was the subject of discussion to develop a consensus set of conditions for approval).¹⁴

The OAG also stated that the Proposed Transaction would be beneficial to ratepayers if certain conditions are applied, including:¹⁵

- All of the commitments that MERC made in its Minnesota filings are binding (agreed to by MERC); and
- MERC be required to demonstrate at least \$2 million annually in ratepayer savings as a direct result of the merger transaction (not agreed to by MERC).¹⁶

MERC is concerned that an unbounded “most favored nations” condition (as originally proposed by the Department), and mandated merger savings (as requested by the OAG) are not supported by the record and should not be imposed. The Department’s proposal was very broad and would have unintentionally included conditions that would not be applicable to MERC due to either the nature of MERC as a local distribution gas utility; to MERC’s relative size in the WEC Energy Group; or to Minnesota, generally. In addition, compelled merger savings is not supported by the record since there is no record evidence showing that the merger will result in immediate merger savings. As WEC has explained in other jurisdictions where it seeks approval of the Proposed Transaction, MERC customers will benefit from the Proposed Transaction because it will create new opportunities over time to realize savings. In addition, no reduction in employment at MERC is contemplated so the likelihood of material merger savings in the short

¹⁴ *Id.* at 6.

¹⁵ *Integrys/WEC Merger*, Comments of the Attorney General – Antitrust and Utilities Division, at 13-21.

¹⁶ *Integrys/WEC Merger*, Comments of the Office of the Attorney General – Antitrust and Utilities Division, at 12, 20.

term is not supported. In fact, the record supports a finding that no material savings (or cost increases) due to the Proposed Transaction will occur at MERC in the near term.

On February 5, 2015, the Commission met to consider this matter.¹⁷ On February 24, 2015, the Commission issued its February 24 Order.¹⁸ In its February 24 Order, the Commission found that under Minn. Stat. §§ 216B.48 and 216B.50, the Commission has jurisdiction to determine whether the proposed merger is consistent with the public interest.¹⁹ The Commission also varied the remaining requirements of Minnesota Rule 7825.1800, subp. B, C, and D to the extent these subparts pertain to security issuances, the transfer of assets into or out of a utility's control, or additional filing requirements imposed by the Commission.²⁰ Finally, the Commission established a procedural schedule and requested that MERC file an update on the Integrys and WEC merger proceedings.²¹

Specifically the Commission requested the following information:

- a list of witnesses, a summary of topics addressed, and a summary of testimony,
- a list of issues raised,
- any agreements made,
- electronic links to any available briefs and briefing papers, and
- any decisions rendered.²²

In response to the Commission's February 24 Order, MERC provides the Commission with an overview of the conditions considered in other jurisdiction as well as the conditions that are being considered in Minnesota. MERC also provides the Commission with an update on the

¹⁷ *Integrys/WEC Merger*, February 24 Order, at 1.

¹⁸ *Id.*

¹⁹ *Id.* at 2.

²⁰ *Id.* at 3-4.

²¹ *Id.* at 4.

²² *Id.*

status of the proceedings in other jurisdictions, including a summary of the testimony in these jurisdictions. MERC provides as attachments the additional information requested by the Commission.

III. MERGER CONDITIONS

A. Overview

As noted, MERC accepts the Department's proposal to impose upon MERC certain conditions imposed on WEC, Integrys, or their operating subsidiaries in other states as a condition to approving the Proposed Transaction. However, MERC remains concerned about the feasibility and appropriateness of imposing conditions that are not applicable in Minnesota given MERC's size, MERC's business, Minnesota law, and expectations of the Commission.

MERC submits that the better approach is to apply the set of conditions agreed to by all of the Parties based on their constructive discussions. The Parties worked together to review and discuss the full list of proposed conditions from other jurisdictions. The Parties were able to significantly narrow items of contention between the Parties. More specifically, of the 145 conditions raised in other jurisdictions, the Parties were able to agree that over 107 were either not applicable to MERC; were covered by MERC's broad commitments already made in Minnesota; or were covered by operation of Minnesota law. Additionally, the Parties were able to agree that an additional twenty-five conditions not previously made by MERC were applicable to MERC. Of the remaining conditions, only thirty-eight remain unresolved or in contention between the Parties.

To that end, Attachment C to this filing contains a complete list of all conditions contemplated in other proceedings so that the Commission has a full and complete record upon which to make its decision. Attachment A to this filing contains a list of those conditions that

the parties have all agreed can be applicable to MERC on the record of this case. And Attachment B to this filing contains a list of those proposed conditions that are open or are disagreed upon by the parties.

B. Parties' Review of Conditions

There have been 145 merger conditions proposed in Illinois, Michigan, and Wisconsin. MERC notes that the proceedings in Wisconsin, Illinois and Michigan are ongoing and, while WEC and Integrys have reached agreement on many of the conditions proposed in those proceedings, they have also contested many of them, and the final outcome with respect to those conditions remains unclear at this time. MERC expects that these conditions, if accepted by the relevant state commissions, will be significantly narrowed.

The Parties' review of the potential merger conditions in other states has resulted in categorization of the conditions:

- Those applicable in Minnesota and agreed upon for inclusion by the Commission;
- Those covered by MERC's existing commitments in this proceeding or by operation of Minnesota law;
- Those not applicable in Minnesota; and
- Those for which the Parties have not reached consensus as to their applicability.

MERC believes the best outcome is for the Commission to adopt the agreed-upon conditions set forth in Attachment A. MERC further respectfully requests that the Commission not adopt the proposed conditions upon which the Parties were unable to reach consensus, including a rate moratorium or mandated merger savings.

C. Consensus on Certain Conditions (Agreed Upon, Not Applicable or Already Addressed by Other Commitments or Minnesota Law)

1. Proposed Conditions Agreed Upon and Applicable to Minnesota

With respect to conditions applicable to Minnesota, the Parties have reached agreement on many conditions, which came about as a result of the Commission's request that the Parties work together to try to narrow the issues for the Commission to decide. These types of conditions include: accounting requirements to appropriately track transaction costs (which MERC has committed to not recovering from its ratepayers) and any merger savings that accrue from the Proposed Transaction over time; certain inter-corporate financial arrangements; the filing of certain study results in Minnesota; and certain auditing requirements. Attachment A provides a full list of these additional conditions that MERC will abide by upon Commission approval of the Proposed Transaction.

2. Conditions Not Applicable in Minnesota

The Proposed Transaction conditions encompass a wide variety of issues in the various jurisdictions, many of which are unique to those jurisdictions or to WEC and Integrys' electric utilities. For example, many conditions in Illinois are related to the Accelerated Main Replacement Program ("AMRP") in Illinois, which is specific to one of Integrys' Illinois gas utilities. Several conditions are related to the Presque Isle Power Plant ("PIPP") in the Upper Peninsula of Michigan, all of which are related to WEC's electric operations in Michigan. Other conditions relate to proceedings in other states as well as compliance with specific state laws in those states. Certain corporate and rate matters related to WEC and Integrys operating multiple utilities in the other states are also included in this category.

Based on their review and discussions, the Parties have reached consensus that conditions such as these are not applicable to MERC and should not be incorporated by the Commission as a condition of its approval of the Proposed Transaction. Attachment B identifies the conditions which the Parties agree are not applicable to MERC.

3. Conditions Already Addressed by MERC's Commitments or Minnesota Law

The Parties' review of the proposed conditions in other states has also identified a number of proposed conditions that are already addressed by MERC's commitments in this proceeding as well as by Minnesota law. For example, MERC has already made commitments that it will not seek to recover transaction costs from ratepayers and that it will maintain the same level of charitable efforts and community involvement after consummation of the Proposed Transaction.²³ MERC has also committed to no workforce reductions except through normal attrition as well as honoring existing labor agreements.²⁴ Further, certain proposed conditions relating to books and records; affiliated interests; rates; accounting; and low income programs are already addressed by the Commission's jurisdiction under existing Minnesota law.

The Parties agree that MERC's existing commitments already satisfy many of the conditions proposed in other states. The Parties also agree that it would not be appropriate to impose conditions structured under a different state's law on MERC if Minnesota law already provides the Commission with authority to address these issues. Attachment C identifies those proposed conditions in other states that the Parties agree are already addressed by MERC's existing commitments or by Minnesota law.

²³ *Integrus/WEC Merger*, Petition, at 8, 14.

²⁴ *Id.* at 11.

D. Proposed Conditions – Open Issues

The Parties' efforts produced a relatively narrow list of proposed conditions upon which consensus was not achieved. The issues mainly relate to open issues already before the Commission in this proceeding concerning: (1) a potential rate moratorium; (2) merger savings; and (3) service quality. Further, the agencies are also continuing to review several issues with respect to their applicability to MERC. Attachment B provides a full list of proposed conditions in Minnesota and other state proceedings upon which the Parties have not yet reached consensus and identifies those proposed conditions upon which the Parties disagree as to their applicability in Minnesota as well as those for which the agencies will continue to undertake further review. The Parties have agreed to continue their dialogue on these open issues to try to narrow the list of issues upon which consensus has not been reached. MERC will provide additional information in its Reply Comments updating the Commission on this work.

With respect to a rate moratorium, in Illinois, WEC offered not to increase base rates for two years after the closing of the Proposed Transaction under the unique circumstances of that case. While the Department initially requested a rate moratorium in Minnesota, it withdrew that request in Reply Comments because the unique circumstances surrounding the Illinois situation made a rate moratorium inapplicable to Minnesota.

MERC believes that a rate moratorium is not appropriate in Minnesota given that Integrys' large Illinois gas company can utilize a rate rider to recover the costs of the AMRP during the two year rate moratorium period and the other Illinois gas utility does not have such a capital intensive program under way. No similar rider exists in Minnesota and MERC is embarking on a series of capital projects to maintain service quality in several communities. MERC has announced its expectation to file a rate case in September 2015 for this purpose.

Further, it is MERC's understanding that the Commission expects to utilize MERC's upcoming rate case to address the rates of the customers of Alliant Energy's legacy gas system, which it will acquire on May 1, 2015.²⁵ The Commission recently approved MERC acquiring Alliant Energy's legacy gas system.²⁶ For these reasons, MERC does not believe it is appropriate for the Commission to impose a rate moratorium on MERC as a condition of approving the Proposed Transaction.

With respect to cost savings resulting from the merger, MERC has made clear that the Proposed Transaction is not premised on immediate merger savings. MERC, on behalf of WEC, has committed that any merger savings achieved by the Proposed Transaction, net of any costs to achieve them, will flow through to ratepayers through the normal rate setting process. Because of this, MERC does not believe that any requirements related to merger savings, such as those proposed by the OAG, should be made a condition to the Commission's approval of the Proposed Transaction.

Last, MERC has committed that the Proposed Transaction will not result in any degradation of service quality. However, events beyond MERC's control, and unrelated to the Proposed Transaction, could impact service quality in the future. Consequently, MERC merely wishes to clarify the Department's proposed service quality condition to make it specific to the Proposed Transaction.

MERC notes that the OAG is continuing to review proposed conditions in other states related to the WEC Energy Group's ownership stake in American Transmission Company, LLC

²⁵ *In the Matter of a Request for the Approval of the Asset Purchase and Sale Agreement Between Interstate Power and Light Company and Minnesota Resources Corporation*, Docket No. G-001,G-011/PA-14-107, Order Approving Sale Subject to Conditions, at 3 (Dec. 8, 2014).

²⁶ *In the Matter of a Request for the Approval of the Asset Purchase and Sale Agreement Between Interstate Power and Light Company and Minnesota Resources Corporation*, Docket No. G-001,G-011/PA-14-107, Order Approving Sale Subject to Conditions (Dec. 8, 2014).

(“ATC”). MERC does not believe any conditions related to ATC should be applicable in Minnesota since ATC is an electric transmission company and has no relationship to a gas business such as MERC. MERC also notes that the Department and OAG continue to review proposed conditions related to inter-corporate and utility specific financial issues as well as certain operational issues as identified in Attachment B. MERC hopes to be able to achieve further consensus on these proposed conditions through additional dialogue with the agencies and will provide an update to the Commission in its Reply Comments.

IV. PROCEEDINGS IN OTHER JURISDICTIONS

A. *Overview*

The Proposed Transaction is being reviewed or has been resolved by other state and federal agencies. WEC and Integrys’ Proposed Transaction is currently being reviewed by four other agencies: Illinois, Michigan, Wisconsin, and the Federal Energy Regulatory Commission (“FERC”), each with attendant proceedings and discovery. Additionally, the U.S. Department of Justice (“DOJ”) has completed its Hart-Scott-Rodino (“HSR”) review of the transaction and determined there is no anticompetitive harm from the Proposed Transaction. These federal and state proceedings ensure that the Proposed Transaction is reviewed from varying perspectives, enabling this Commission to focus on the Proposed Transaction’s implications for Minnesota.

None of the other state jurisdictions have yet rendered a decision on the Proposed Transaction, although a restated, uncontested settlement agreement has been reached in Michigan, which is subject to Commission approval in that state. A list of witnesses in each of these proceedings and a summary of their testimony can be found in Attachment D. Additionally, a list of electronic links to any available briefs and briefing papers in the other jurisdictions can be found in Attachment E. A more detailed status update of the proceedings before Illinois,

Michigan, Wisconsin, and the FERC can be found below. We also provide a discussion of the most pertinent issues in each of the state jurisdictions below.

B. Status of Illinois Proceeding

On August, 6, 2014, WEC, Integrys, Peoples Energy, LLC, The Peoples Gas Light and Coke Company (“Peoples Gas”), North Shore Gas Company (“North Shore”) (collectively, Peoples Gas and North Shore are referred to as the “Gas Companies”), ATC Management Inc. (“ATCM”) and ATC (collectively “Illinois Joint Applicants”) filed an application with the Illinois Commerce Commission (“Illinois Commission”) requesting approval of the Proposed Merger under Section 7-204 of the Illinois Public Utilities Act (“Illinois PUA”) in Illinois docket number 14-0496.²⁷ The initial briefs of the parties were filed on March 27, 2015. The response briefs are due April 10, 2015, draft orders from parties are due April 14, 2015, an Administrative Law Judge’s proposed order is due on May 1, 2015, with the statutory deadline for the docket ending on July 6, 2015.

To approve the Proposed Transaction, Section 7-204 requires the Illinois Commission to make specific findings that include that a reorganization will not “diminish” a utility’s ability to perform its duties under the Illinois PUA and provide services to customers, “significantly impair” its ability to raise capital and maintain a reasonable capital structure, have a “significant adverse effect on competition” in markets over which the Illinois Commission has jurisdiction, or “cause adverse rate impacts.”²⁸ In other words, Section 7-204 requires the Illinois Commission before approving the Proposed Transaction to determine that the Proposed

²⁷*Wisconsin Energy Corporation, Integrys Energy Group, Inc., Peoples Energy, LLC, The Peoples Gas Light and Coke Company, North Shore Gas Company, ATC Management, Inc., and American Transmission Company, LLC; Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a Reorganization, to enter into agreements with affiliated interests pursuant to Section 7-101, and for such other approvals as may be required under the Public Utilities Act to effectuate the Reorganization, Docket No. 14-0496 (“Illinois Merger Docket”), Application (Aug. 6, 2014).*

²⁸ See 220 ILCS 5/7-204(b)(1), (4), (6), and (7).

Transaction will not have an adverse impact on the ability of the Gas Companies to perform their obligations under the Illinois PUA and provide service to their customers.²⁹

The Illinois Joint Applicants and the Utility Workers United of America, Local 18007, which is Peoples Gas' utility workers union, support that the Proposed Transaction meets the requirements under Section 7-204. The Illinois Joint Applicants and the Illinois Commission staff also agreed on the majority of conditions. The Illinois Joint Applicants, however, were not able to reach agreement with the Office of the Illinois Attorney General ("Illinois AG") and the City of Chicago ("City") and Citizens Utility Board ("CUB") (collectively "City/CUB"), who continue to argue for additional conditions that the Illinois Joint Applicants believe go far beyond the scope of Section 7-204 requirements. The conditions that the Illinois Commission staff, the Illinois AG, and the City/CUB and the Joint Applicants disagree on are described below.

- *AMRP-related proposal.* The Illinois Commission staff request that the Illinois Joint Applicants reaffirm Peoples Gas' commitment to the Illinois Commission to complete the AMRP by the end of 2030. Both the Illinois AG and the City/CUB propose several conditions that would require additional reporting and development work plans and schedules for the AMRP, as well as require improvements to Peoples Gas' performance in a variety of operational categories. The Illinois Joint Applicants argue that (1) each of the requested conditions addresses an existing issue unrelated to the Proposed Transaction and (2) the conditions are contrary to the intent of Section 7-204, which is to sustain the utility's service quality status quo, not to achieve quality improvements.

²⁹ *Id.*

- *Participation in dotMaps website.* The City/CUB recommend requiring the Illinois Joint Applicants to participate in Chicago Department of Transportation’s dotMaps website to improve collaboration with other occupants of the Public Way. The Illinois Joint Applicants maintain that this proposal has no relation to the Proposed Transaction and is an effort to impose an enhancement on the utility’s operations that is contrary to the intent of Section 7-204. The Illinois Joint Applicants also have customer privacy and data concerns with the condition.
- *Future rate treatment of degradation fees.* The Illinois AG proposes a condition that would require Peoples Gas to exclude from base rates and riders certain surcharges due to street degradation fees found to be unreasonable and imprudently incurred. The Illinois Joint Applicants find the condition unnecessary because degradation fees are already subject to examination by the Illinois Commission in any rate case or rider proceeding in which their recovery is an issue. Also, the condition is unrelated to the Proposed Transaction or any impact that the merger may have on the Gas Companies or their customers.
- *Energy efficiency-related proposals.* The City/CUB proposes five conditions related to energy efficiency that are unrelated to Section 7-204. The Illinois Joint Applicants argue that there is no relation between the Proposed Transaction and the need to provide additional energy efficiency funding and programs. They also argue that the record evidence supports denying the conditions.
- *Riders to “correct” previously-set rates.* The Illinois AG requests two rider mechanisms that would require the Gas Companies to return to customers the difference between cost recovery that was approved in the *Peoples Gas 2014 Rate*

Case and the lower actual costs for the items. The Illinois Joint Applicants argue that this issue has already been decided and that the condition would constitute retroactive ratemaking. The Illinois Commission staff argue that these riders are contrary to law.

- *Board composition.* The Illinois Joint Applicants agreed to have a minimum of one WEC Energy Group Board member be a resident of Illinois. The City/CUB request that for five years after the Proposed Transaction the WEC Energy Group Board maintain the same proportion of Illinois members as currently exist on the Integrys Board. The Illinois Joint Applicants believe this would be an unprecedented intrusion by the Illinois Commission into the utility's management and that it is unnecessary.
- *Additional FTE-related proposals.* The Illinois Commission staff request a minimum of 1,356 full-time equivalents ("FTE") for Peoples Gas, 177.7 FTEs for North Shore, and 493 FTEs for Integrys Business Support for two years after the close of the Proposed Transaction. Also, the Illinois Commission staff want an agreement that if the final auditor's report of the Peoples Gas' AMRP requires the hiring of any additional personnel, that those personnel shall not count toward the FTE values. The City/CUB request a floor-level FTE commitment of between 2,051 and 2,090 FTEs in Illinois, and an increase in the length of the commitment from two years to five years. The City/CUB believe these modifications would improve the ability of Peoples Gas to perform its utility functions and improve service for ratepayers. The Illinois Joint Applicants argue that the purpose of Section 7-204 is not to make improvements in the level of service quality but to

maintain the status quo. They also state that the level of FTEs agreed to will allow the company the flexibility it needs based on changing circumstances.

- *Extension of commitment not to change base rates.* The City/CUB and the Illinois AG request that the Illinois Joint Applicants' commitment not to seek a change in base rates for two years be changed to a five-year commitment. The Illinois Joint Applicants argue that (1) the condition is not appropriate because the purpose of Section 7-204 is not to create benefits or other enhancements; (2) not all of the companies have a mechanism by which to recover capital expenditures between rate cases; (3) the condition fails to realize the operational costs incurred by the companies; and (4) the condition is unnecessary and not the vehicle by which customers may derive benefits from the Proposed Transaction.
- *Dividend restriction.* The City/CUB and Illinois AG request there be limits on the Gas Companies to make dividend payments, or any other cash transfer to WEC Energy Group, before the Gas Companies fulfill their obligations to make distribution system modernization capital improvements. The Illinois Joint Applicants argue that (1) the Proposed Transaction is expected to result in a stronger more financially stable holding company with greater financial liquidity and improved access to capital markets so the condition is unnecessary; (2) several enforceable commitments have been made that provide adequate assurance that the Gas Companies will continue their infrastructure; and (3) the Act provides protection and empowers the Illinois Commission to take action if necessary.

- *Pipeline Safety Management System (“PSMS”)*. The Illinois Commission staff request that a draft PSMS be approved by the Commission within one year of the close of the transaction. The Illinois Joint Applicants had offered to work with staff over a two-year period and argue that staff’s proposal would be unnecessary, costly and burdensome.
- *Move of Gas Meters*. The Illinois Commission staff request that any indoor meter that is part of the AMRP be moved outside or to an accessible location inside as part of the AMRP by no later than 2030. Any indoor meter not part of the AMRP must be moved outside or to an accessible location inside within 10 years. The Illinois Joint Applicants assert it is not feasible to move all the gas meters outside.
- *Cap residential revenue recovery through fixed charges to 40 percent*. The Illinois AG argues that such a cap is in the public interest and fully justified if customers are to see value from the reorganization beyond any rate freeze commitment.

C. Status of Michigan Proceeding

1. Initial filing under Michigan Compiled Laws § 460q

On August 6, 2014, WEC and Integrys filed a request for approval of the Proposed Transaction with the Michigan Public Service Commission (“Michigan PSC”) pursuant to Mich. Comp. Laws § 460.6q in Michigan PSC case number U-17682.³⁰

³⁰*In the Matter of the Joint Application of Wisconsin Energy Corporation and Integrys Energy Group, Inc. for Approval, Pursuant to MCL 460.6q, for the Transfer of Control of Wisconsin Public Service Corporation and Michigan Gas Utilities Corporation; and the Joint Request of Wisconsin Public Service Corporation, Michigan Gas Utilities Corporation and Wisconsin Electric Power Company for Waivers From, or Declarations Regarding the Applicability of, the Code of Conduct and Affiliate Transaction Guidelines and Related Approvals, Case No. U-17682 (“Michigan Merger Docket”), Joint Application/Request (Aug. 6, 2014).*

2. Settlement Agreement

As we represented to the Commission at its February 5, 2015 meeting, all of the parties except for one in the Michigan proceeding entered into a Settlement Agreement on January 30, 2015.³¹ Although our representation concerning the Settlement Agreement was accurate at the time of the Commission's February 5, 2015 meeting, after the Commission meeting the parties to the Michigan proceeding renegotiated an Amended and Restated Settlement Agreement ("Amended Agreement").³² The Amended Settlement Agreement is attached as Attachment F. The March 12, 2015 Amended Agreement has been agreed to or nonobjected to by all of the parties.³³ In the Amended Agreement, the parties agreed that WEC will continue to provide electric service in the Upper Peninsula of Michigan and to address the future of the PIPP.³⁴

3. No Conditions Relating to Natural Gas Service

As this Commission is aware, both the Michigan Gas Utility Corporation ("MGU") and MERC were both purchased by Integrys from Aquila in 2006. Because MERC and MGU are similarly sized, regional natural gas utilities, it is important to note that neither the Amended

³¹ In the Settlement Agreement, the parties agreed that the proposed transaction satisfied the requirements under Mich. Comp. Laws § 460.6q(7) conditioned on the following: 1) the closing and sale of Wisconsin Electric's Presque Isle Plant ("PIPP") and Wisconsin Electric's Michigan electric distribution assets customers and business to Upper Peninsula Power Company ("UPPCo"); 2) the closing of the sale of Wisconsin Public Service Corporation's ("WPS Corp.") Michigan electric distribution assets, customers, and business to UPPCo; and 3) termination of the PIPP System Support Resource ("SSR") Agreement between Midcontinent Independent Systems Operator ("MISO") and Wisconsin Electric. *Michigan Merger Docket*, Settlement Agreement (Jan. 30, 2014). Parties to the Settlement were: Wisconsin Energy Corporation, Integrys Energy Group, Inc., Wisconsin Electric Power Company, Wisconsin Public Service Corporation and Michigan Gas Utility Corporation, Michigan Attorney General Bill Schuette, Michigan Public Service Commission Staff, Tilden Mining Co. L.C. and Empire Mining Partnership, Fibrek, Verso Paper Corp., and Citizens Against Rate Excess; please note that Cloverland Electric Cooperative objected to the Settlement Agreement.

³² *Michigan Merger Docket*, Amended and Restated Settlement Agreement (Mar. 13, 2015).

³³ On March 12, 2015, WEC, Integrys, Wisconsin Electric Power Company, WPS Corp., and Michigan Gas Utility Corporation, Michigan Attorney General Bill Schuette, the Michigan PSC Staff, and Tilden Mining Co. L.C. and Empire Iron Mining Partnership signed and filed an Amended and Restated Settlement Agreement. On March 20, 2015, both Cloverland Electric Cooperative and the Citizens Against Rate Excess filed agreements pursuant to Michigan Public Service Commission Rule 792.10431(3) to the Amended Agreement on March 20, 2015. Fibrek also filed a nonobjection pursuant to Michigan PSC Rule 792.10431(3) to the Amended Agreement on March 20, 2015, and Verso filed a nonobjection on March 25, 2015.

³⁴ *Michigan Merger Docket*, Amended and Restated Settlement Agreement.

Agreement nor the original Settlement Agreement contained any conditions that applied to the MGU's or the Wisconsin Public Service Corporation ("WPSC") provision of gas services. Moreover, none of the parties, including the Michigan PSC staff, had any concerns or proposed any conditions relating to MGU's or WPSC's gas services within Michigan.³⁵

4. Consideration before the Michigan Public Service Commission

The Amended Agreement will be considered by the Michigan PSC in late April of 2015.

D. Status of Wisconsin Proceeding

On August 6, 2014, WEC filed an Application requesting approval by the Public Service Commission of Wisconsin ("Wisconsin PSC") for approval of its plan to acquire 100 percent of the outstanding common stock of Integrys pursuant to Wis. Stat. §§ 196.52 and 196.795(3) in Wisconsin docket number 9400-YO-100.³⁶ The discovery and prefiled testimony phase of the Wisconsin proceeding has concluded. The proceeding in Wisconsin involved testimony by twenty witnesses, over 550 individual data requests (including subparts), and the opportunity for the public to participate directly through online comments and public hearings in both Milwaukee and Green Bay. The Technical Hearing was held on March 11, 2015. On March 20, 2015, the Administrative Law Judge for the Wisconsin PSC altered the Wisconsin briefing schedule.³⁷ Under the altered briefing schedule, the initial briefs were filed on March 30, 2015, and the reply briefs are due on April 6, 2015.³⁸ The Wisconsin PSC is expected to meet and discuss the record in mid to late April of 2015.

³⁵ The only comment received regarding MGU was an environmental complaint about a specific building structure. *Michigan Merger Docket*, Letter to Michigan PSC from Alexia & Stephen Rish (Oct. 1, 2014).

³⁶ *Application of Wisconsin Energy Corporation for Approval to Acquire the Outstanding Common Stock of Integrys Energy Group, Inc.*, Docket No. 9400-YO-100 ("*Wisconsin Merger Docket*"), Application of Wisconsin Energy Corporation for Approval to Acquire the Stock of Integrys Energy Group, Inc. (Aug. 6, 2014).

³⁷ *Wisconsin Merger Docket*, Order to Accept Stipulated Schedule and Rescind Notice of Scheduling Conference (Mar. 20, 2015).

³⁸ *Id.* at 3.

1. Issues in the Wisconsin Proceeding

Wis. Stat. § 196.795(3) provides that the Wisconsin PSC should approve the transaction if it determines that the acquisition “is in the best interests of utility consumers, investors and the public.” In Wisconsin, an overarching issue has been: what is the meaning of the statutory language under Wis. Stat. § 196.795(3) requiring that the Proposed Transaction be “in the best interests of utility, consumers, shareholders, and the public?” The Wisconsin PSC staff and intervenors maintain that consumers must be better off than they would have been absent the Proposed Transaction and that the consumer benefits must be present from the moment the Proposed Transaction is completed. The intervenors are also concerned that financial risks from the Proposed Transaction could make consumers worse off than before. WEC argues that the benefits from the Proposed Transaction do not need to be immediate.

In addition to this overarching issue in Wisconsin, there is disagreement concerning the following conditions.

- *The confiscation of the transmission escrow.* Numerous parties argue that a total or partial write-off of the various transmission deferral accounts should occur. WEC believes that seizing the escrow accounts would be a questionable exercise of Wisconsin PSC authority and may be retroactive ratemaking.
- *Payment of money directly to customers via bill credits.* Numerous parties propose that in return for approving the Proposed Transaction, the Wisconsin PSC should require WEC to pay money directly to customers via bill credits. WEC maintains that this would be a tax on the transaction.
- *Earnings Cap.* The Wisconsin Industrial Energy Group and Wisconsin Paper Council (collectively “Wisconsin Industrial Customers”) and the Citizens Utility

Board of Wisconsin (“Wisconsin CUB”) propose an earnings cap. WEC opposes the earnings cap stating it would be retroactive ratemaking and prohibited under Wisconsin law.

- *Deferral and recovery of transition costs.* The Wisconsin Industrial Customers propose to deny recovery of any transition costs. WEC believes that its agreement not to seek recovery of transition costs unless such costs result in equal or greater savings is preferable. WEC also states that any proposal to deny recovery of these costs could result in WEC attempting to avoid any spending necessary to create efficiencies.
- *Prohibitions and restrictions on dividends.* The Wisconsin PSC staff propose restricting dividends that would cause the utilities to fall beneath a floor and average equity ratios. The Wisconsin CUB proposes restricting dividends from Wisconsin regulated subsidiaries to the parent company. WEC believes these conditions duplicate conditions typically imposed in utility rate cases and that the conditions are unnecessary.
- *Recovery of increased financing costs attributable to rating agency downgrades.* The Wisconsin PSC staff and the Wisconsin Industrial Customers propose conditions whereby the Wisconsin utilities would be denied recovery of any increased financing costs attributable to rating agency downgrades. Wisconsin PSC staff believe that this would be easy to calculate and any downgrade must be due to the transaction. WEC opposes the conditions because: 1) the credit rating agencies have not downgraded WEC’s or any of its affiliates’ credit rating since the Proposed Transaction was announced; 2) even if this were to occur, it would

be nearly impossible to disentangle the factors leading to such a downgrade; and
3) the very imposition of this burden could result in the downgrade that everyone is hoping to avoid.

- *Reporting on debt held by WEC Energy Group and its regulated subsidiaries.* Wisconsin PSC staff propose that WEC Energy Group be required to report on its debt and its plans to reduce it every time there is a change in debt levels. WEC agreed to report annually, but believes that reporting more often is unnecessary.
- *Cost allocations in the event of significant downsizing.* Wisconsin PSC staff believe that WEC should be required to make a case for recovery. WEC believes that this condition is unduly hypothetical and unnecessary.
- *Periodic audits of the service company and its transactions.* Wisconsin PSC staff propose to conduct periodic audits of the service company and its transactions in order to clarify aspects of the Wisconsin PSC's existing authority. WEC believes such a condition is unnecessary because it is already contained in the Wisconsin PSC's statutory authority.
- *Prohibition from providing services to companies that are not part of the holding company system without the Wisconsin PSC's approval subject to an exception for temporary transition services.* Wisconsin PSC staff propose a condition that prohibits the provision of services to companies that are not part of the holding company system without the Wisconsin PSC's approval, and states that it is unlikely to support any permanent provisions of services to an unrelated third party. WEC believes this condition exceeds the Wisconsin PSC's supervisory authority.

- *Meet and confer with union.* Local 420 - The International Union of Operating Engineers -Local 420 ("Local420") requests that WEC be required to meet and confer with its union to develop a post-acquisition workforce plan. Local 420 also requests that WEC maintain a specific level of full-time employees in Wisconsin. WEC opposes the condition as poorly defined and states that the headcount condition would more than double the previous commitment it has already made for the two years following the approval.
- *Rate levelization.* WEC has stated that it will not seek to merge the Wisconsin utilities or levelize their rates without consulting all interested parties and unless such a proposal is in the best interests of the affected parties. Wisconsin PSC staff and various intervenors want a larger commitment, such as Wisconsin PSC staff who seek to require complete consensus by all parties if levelization is to occur within a five to ten year period. WEC believes these conditions are unrealistic and unnecessarily onerous.
- *WEC headquarters.* WEC committed to the headquarters of the post-merger WEC Energy Group and associated jobs being in Wisconsin. Wisconsin PSC staff request that the Wisconsin PSC require approval of any move of the headquarters. WEC believes this is unnecessary because WEC has no plans to move its headquarters, and it is not clear that the Wisconsin PSC has this authority.
- *Power the Future leases.* JOBS4WI, Inc. ("JOBS4WI") proposes a pair of conditions seeking to alter the operation and financial consequences of current Power the Future leases. WEC does not believe that the Wisconsin PSC has authority to impose these conditions.

- *Restriction of the governance and activities of ATC.* Numerous parties want WEC to divest of all or some of its ownership in ATC following completion of the merger. The parties also propose voting restrictions on ATC’s board. WEC believes that it has already appropriately balanced ownership and influence.
- *No Recovery of acquisition premium.* The Wisconsin CUB maintains that WEC may not recover an acquisition premium directly or indirectly.
- *Identify all transaction, transition, and acquisition premium costs in an accounting system.* Multiple parties maintain that the Wisconsin PSC should ensure that such costs are tracked in ways that can verify that WEC is not recovering them from customers.
- *“Most favored nation” status with respect to conditions in other jurisdictions.* Wisconsin PSC staff and multiple parties propose a “most favored nation” status condition. WEC proposes to file a compliance filing about final conditions in other jurisdictions.
- *Restrictions on the lending of money.* The Wisconsin CUB recommends that Wisconsin Electric Power Company (“WEPCO”), Wisconsin Gas, and WPSC may not lend money to, or guarantee the obligation of, WEC nor any affiliate with which it is in the holding system.
- *Independent credit rating and portfolio debt.* The Wisconsin CUB wants a requirement that each Wisconsin regulated subsidiary maintain its own credit rating and post-acquisition parent.

- *Require WEPCO to prepare a bid to use its capacity surplus to defer WPSC's proposed/planned new capacity, especially the proposed new unit at Fox 3 in 2019.* The Wisconsin CUB believes this will save ratepayers money.
- *Preclude WEC from filing to merge its independent utility subsidiaries.* Great Lakes Utilities believes this would protect Wisconsin ratepayers from higher rates.
- *Maintain FTE employees for five years.* Local 420 wants FTEs to be employed by WECS's subsidiaries utilities for a period of five years to ensure that ratepayers continue to receive the level of services they are paying for under current rates. WEC opposes this condition because it is too long and would impair its ability to manage the company.
- *Reduction in recoverable non-fuel O&M costs.* JOBS4WI wants WEC to reduce its recoverable non-fuel operations and maintenance costs by five percent below current levels in each utility's service territory in the next rate case.
- *Allow high-voltage customers to connect directly to the transmission grid.* JOBS4WI believes that a new tariff should be filed with the Wisconsin PSC allowing high-voltage customers to connect directly to the transmission grid to purchase electric power at retail tariff prices that shadow wholesale power prices.
- *Elimination of the recovery of excess generation capacity and costs from WEPCO and WPS service territories.* JOBS4WI wants this requirement to ensure the transaction is in the best interests of customers.

E. Status of the FERC Proceeding

1. Initial Filing – Federal Power Act 203 Standard of Review

On August 15, 2014, WEC and Integrys made a joint filing seeking authorization from the FERC for the Proposed Transaction under Section 203 of the Federal Power Act (“FPA”) in FERC docket number EC14-126.³⁹ The standard of review for authorization under FPA Section 203 is if the proposed merger is “consistent with the public interest.”⁴⁰ The FERC has issued policy guidance with respect to the factors it considers when making a determination as to if the transaction is consistent with the public interest.⁴¹

Under the Merger Policy Statement, the FERC evaluates the impacts of the proposed disposition on competition, rates, and regulation. When considering impacts on competition, the FERC reviews both horizontal effects resulting from any increases in concentration in energy and capacity markets and vertical effects resulting from increases in the ability or incentive to leverage control over electric transmission or the FERC jurisdictional natural gas transportation facilities or other inputs to the generation of electricity in order to enhance revenues in generation markets. In addition, the FERC must determine that a proposed transaction will not result in cross-subsidization of a non-utility associate company by a traditional utility company, or the pledge or encumbrance of utility assets for the benefit of an associate company, unless that cross-subsidization, pledge or encumbrance will be consistent with the public interest.

³⁹ Joint Application for Authorization of Disposition of Jurisdictional Assets and Merger Under Sections 203(a)(1) and 203(a)(2) of the Federal Power Act, FERC Docket No. EC14-126 (Aug. 14, 2014).

⁴⁰ 16 U.S.C. § 824b(a)(4).

⁴¹ See Inquiry Concerning the Commission’s Merger Policy Under the Federal Power Act: Policy Statement, Order No. 592, FERC Stats. & Regs. ¶ 31,044 at 30,111 (1996), order on reconsideration, Order No. 592-A, 79 FERC ¶ 61,321 (1997) (“Merger Policy Statement”).

2. Comments/Protests of Intervening Parties

Several parties intervened in the FPA 203 proceeding.⁴² Protests to the application were mainly received by affected parties in Michigan, where WEC provides electric service in the Upper Peninsula region of that state. Specifically, the Michigan Attorney General and certain mining interests in the Upper Peninsula filed protests to the FPA 203 Application stating that the Proposed Transaction will concentrate market power in the Upper Peninsula region and therefore that the merger is not in the public interest.⁴³ Additionally, a group of distribution only utilities in eastern Wisconsin and the Upper Peninsula of Michigan, known as the Great Lakes Utilities, also protested that the Proposed Transaction would concentrate market power in eastern Wisconsin and the Upper Peninsula of Michigan.⁴⁴

3. Presque Isle Power Plant

A number of the FERC dockets have been opened to address cost allocation issues that relate to PIPP through MISO's SSR cost allocation tariff. Relevant FERC dockets include: EL14-104, EL14-34, EL15-7, ER14-1243, ER14-2682, and ER14-2952. Issues related to PIPP have been identified in the Proposed Transaction docket due to WEC's ownership of the plant and its impact on reliability in the Upper Peninsula.

4. The FERC Staff Deficiency Letter

On November 19, 2014 the FERC Staff issued a routine deficiency letter in the docket seeking more information with respect to the relevant dockets.⁴⁵ On December 18, 2014, WEC

⁴² Attachment G identifies all intervening parties.

⁴³ Motion to Intervene, Protest, and Request for Hearing of Michigan Attorney General Bill Schuette and Michigan Governor Rick Snyder, FERC Docket No. EC14-126 (Oct. 17, 2014); Protest of Tilden Mining Co. L.C & Empire Iron Mining Partnership, FERC Docket No. EC14-126 (Oct. 17, 2014).

⁴⁴ Motion to Intervene and Protest of Great Lakes Utilities, FERC Docket No. EC14-126 (Oct. 17, 2014).

⁴⁵ Letter requesting Wisconsin Energy Corporation et al. to provide additional information within 30 days re the Joint Application for Authorization of Disposition of Jurisdictional Assets and Merger etc. under EC14-126, FERC Docket No. EC14-126 (Nov. 19, 2014).

and Integrys provided the requested information.⁴⁶ Please note that deficiency letters of this type are routine in these types of cases.

5. Settlement of Michigan Issues.

On January 16, 2015, representatives of the Michigan Attorney General and Governor of Michigan filed a letter in the docket stating that Michigan's concerns with the Proposed Transaction had been resolved and that they no longer oppose the FERC approval of the merger.⁴⁷ Michigan mining interests filed a similar letter on January 20, 2015.⁴⁸

6. Current Status

As of April 3, 2015, the docket is still ongoing.

V. CONCLUSION

MERC appreciates the opportunity to provide the Commission with this supplemental information. MERC is committed to working with the parties and the Commission to achieve the best result for Minnesota ratepayers. MERC requests that the Commission approve the Proposed Transaction in May of 2015 for the timely completion of this beneficial transaction.

⁴⁶ Wisconsin Energy Corporation et al. submits data on transmission constraints and confidential workpapers under EC14-126, FERC Docket No. EC14-126 (Dec. 18, 2014).

⁴⁷ Letters to Chairman LaFleur and Commissioners Moeller, Clark, and Bay, of the Michigan Attorney General, FERC Docket No. EC14-126 (Jan. 16, 2015).

⁴⁸ Comment in support of filing of Tilden Mining Company L.C. and Empire Iron Mining Partnership under EC14-126, FERC Docket No. EC14-126 (Jan. 20, 2015).

Dated: April 3, 2015

Respectfully Submitted,

Amber S. Lee
Regulatory and Legislative
Affairs Manager
MINNESOTA ENERGY
RESOURCES CORPORATION
2665 145th Street West, Box 455
Rosemount, MN 55068-0455
Telephone: (651) 622-8965

Michael J. Ahern
Kristin M. Stastny
Dorsey & Whitney LLP
50 S. Sixth Street, Suite 1500
Minneapolis, Minnesota 55402
(612) 340-2600

/s/
By: Michael C. Krikava
Michael C. Krikava
Zeviel T. Simpser
Briggs and Morgan, P.A.
2200 IDS Center
80 South 8th Street
Minneapolis, Minnesota 55402
(612) 977-8400

Attachment A

WEC Merger Conditions – Conditions Agreed
to by the Parties

Attachment A

MERC Merger Conditions
Conditions Agreed to by the Parties
April 3, 2015

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
	Commitments Made by MERC in its filings	Transaction Costs	MERC commits not to seek to recover in retail rates transactions costs incurred to execute the proposed transaction, or the acquisition premium paid by WEC to Integrys as part of the Proposed Transaction.	Minnesota	Agreed	Applicable to Minnesota
		Labor	MERC commits it will honor all labor existing contracts	Minnesota	Agreed	Applicable to Minnesota
		Workforce	MERC commits for a period of two years that it will not make any work-force reductions beyond what might occur through attrition.	Minnesota	Agreed	Applicable to Minnesota
		Community involvement	MERC commits to maintain historic levels of community and charitable involvement.	Minnesota	Agreed	Applicable to Minnesota
		Customer Service	MERC commits to maintain the same level of customer service after the Proposed Transaction.	Minnesota	Agreed	Applicable to Minnesota
	DOC Requested Conditions (taken from Reply Comments)	Acquisition Premium and Transaction Costs	MERC will not attempt to recover the acquisition premium or the costs of executing the proposed transaction from its utility customers.	Minnesota	Agreed	Applicable to Minnesota
		Service Quality	MERC will maintain or improve its existing service quality and reliability indices over the next two years.	Minnesota	Agreed with clarification that service quality issues caused by the merger should apply but non-merger-related service quality measures should not be included.	MERC commits to maintaining its service quality standards and to continue to provide relevant gas purchasing and demand entitlement information.
		Workforce	MERC will not make any material workforce reductions beyond what might occur through attrition for at least two years.	Minnesota	Agreed	Applicable to Minnesota
	OAG Requested Conditions	Binding Commitment	MERC agrees with the OAG's position that all of the commitments that MERC made in its Minnesota filings are binding.	Minnesota	Agreed	Applicable to Minnesota
	Conditions Proposed in Michigan, Wisconsin and Illinois					

¹ Corresponds to Item number in Attachment C.

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
10	Accounting	Proof of exclusion	Identify all transaction, transition, and acquisition premium costs in an accounting system.	Wisconsin	See Item 11	Applicable to Minnesota
11	Accounting	Proof of exclusion	After closing, and in any rate proceeding decided within six years after the Transaction closing, the Applicant shall provide proof that no transaction costs are included in historical expenses of the operating utility or in the determination of revenue requirement.	Wisconsin	Accepted	Applicable to Minnesota
12	Accounting	Proof of exclusion	Identify all transaction and transition costs in accounting system.	Wisconsin	See Item 11	Applicable to Minnesota
13	Accounting	Purchase accounting/Push-down accounting	Push-down accounting related to the Reorganization will only be used by the Wisconsin Operating Companies for financial reporting if required by Generally Accepted Accounting Principles (GAAP). Push down accounting related to the Reorganization will not be used by the Wisconsin Operating Companies for regulatory accounting or ratemaking purposes regardless of GAAP requirements.	Wisconsin	Accepted	Applicable to Minnesota
14	Accounting	Purchase accounting/Push-down accounting	Deny "push down" of acquisition premium and transaction costs for WEPCO and WPSC ratemaking purposes regardless of which entity records the costs, GAAP accounting requirements, and whether incurred before or after transaction closes.	Wisconsin	See Item 13 ¹	Applicable to Minnesota
15	Accounting	Push- down accounting	Any accounting entries made to the books of MERC for push-down accounting related to the Reorganization shall be disregarded for ratemaking and regulatory reporting purposes.	Illinois	Accepted	Applicable to Minnesota
16	Accounting	Savings to ratepayers	Allocation of any savings resulting from the proposed reorganization shall flow through to ratepayers.	Illinois	Accepted	Applicable to Minnesota
49	Filings / Notice	Compliance report	MERC must file a semi-annual compliance report on the MPUC's e-Docket system in Docket No. 14-664, reporting the status of their progress on all conditions imposed by the Commission in this case until all conditions have been satisfied or MERC petitions the Commission and receive approval to cease such reporting requirement, whichever comes first.	Illinois	Accepted	Applicable to Minnesota with Conforming Language to Apply to Minnesota
50	Filings / Notice	Compliance report identifying capital structure	MERC shall file a compliance report in Docket No. 14-664 within 180 days after the close of the Reorganization, with a copy to the Department and OAG, that describes MERC's post-merger capital structures and identifies capital structure adjustments, if any, that resulted from the Reorganization, and, in the event that there are push-down accounting adjustments made to MERC's balance sheets as a result of the Reorganization, that MERC shall file a petition with the Commission seeking Commission approval of the fair value studies and resulting capital structures for MERC.	Illinois	Accepted	Applicable to Minnesota with Conforming Language to Apply to Minnesota

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
51	Filings / Notice	Filing of final agreement	MERC must provide to the Department and OAG and file on the MPUC's e-Docket system in Docket No. 14-0644 a copy of the signed, executed Final Agreement if there are any changes between the Interim Agreement and a Final Agreement.	Illinois	Accepted	Applicable to Minnesota with Conforming Language to Apply to Minnesota
52	Filings / Notice	Notice of transaction	MERC will file a notice in this proceeding on e-Docket, to be served in the normal course as other filings on the parties of record, informing the Commission and the parties when closing of the Transaction has occurred.	Illinois	Accepted	Applicable to Minnesota with Conforming Language to Apply to Minnesota
72	Financial	Money pool and guarantees	MERC shall not participate in money pools (i.e. an arrangement under which cash is shared between WEC Energy Group and its subsidiaries).	Wisconsin	Accepted	Applicable to Minnesota
73	Financial	Money pool and guarantees	Prohibit MERC from loaning funds to or borrowing funds from the post-acquisition parent or other regulated subsidiaries.	Wisconsin	Accepted, with clarification ⁱⁱ	Applicable to Minnesota
97	Operations	Gas emergency response time	WPSC shall cooperate with Commission Staff on a study of WPSC's gas emergency response process. Within six months of the closing of the transaction, this study group will report back to the Commission.	Wisconsin	Accepted	MERC will provide Copy of Completed Report to parties.
99	Operations Filings / Notice	Implementation of the ICE Project	MERC shall notify the Commission if it develops any plans to implement part, or all, of the software developed through the ICE project, or some, or all, of the customer service policy changes proposed by MERC, within 30 days of the plan being developed, or at least 30 days prior to any customer service policy changes.	Wisconsin	Accepted, with clarification ⁱⁱⁱ	Applicable to Minnesota
109	Operations	Pipeline Safety Management System	The Joint Applicants shall work with Staff to plan and develop a Pipeline Safety Management System for the Gas Companies during the two years after the close of the Reorganization.	Illinois	Accepted	MERC will provide Copy of Completed Report to parties.
110	Operations	Prohibition from guaranteeing obligations of nonutility affiliates	MERC shall be prohibited from guaranteeing any obligations of their nonutility affiliates.	Illinois	Accepted	Applicable to Minnesota
123	Service company	Effectiveness of affiliated agreements	The parent holding company or its subsidiaries shall not elect to have the FERC review pursuant to Section 1275 of EPACK 2005, 42 U.S.C. § 16462, the allocation of costs for goods and services provided by the service company, until the Commission has reviewed and taken action on the affiliated interest transactions and agreements associated with the service company of amendments thereto. If the Commission has not completed its review and approval within a reasonable time after the Commission determined an amendment to the service company agreement is complete, the entities may seek such FERC review after giving the Commission 60 days' prior written notice.	Wisconsin	Accepted	Applicable to Minnesota

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
124	Service company	Independent audit	An independent audit of the service company and its transaction shall be performed within two years after closing, and thereafter every three years. The Commission would select the auditor and have full control over the audit work (scope, supervision, etc.) with the audit product being a Commission product. MERC will be required to provide the Commission a list of all external audit firms the holding company system has contracts with, and would be billed for the audit cost.	Wisconsin	Unsettled	MERC to Provide Copy of Audit Report to Minnesota
125	Service company	Jurisdiction	The Commission shall as a condition of acquisition approval take continuing jurisdiction over the service company structure.	Wisconsin	Accepted	Applicable to Minnesota
134	Synergy savings	Tracking transition costs -- alternate	MERC shall be required to identify and track all acquisition-related transition costs incurred by the utility and allocated to in a manner that is readily reviewable and auditable by the Commission at a location within Wisconsin.	Wisconsin	Accepted	Applicable to Minnesota

ⁱ See Rebuttal Testimony of Scott Lauber in Support of Application by Wisconsin Energy Corporation (Lauber Rebuttal), at 4.

ⁱⁱ See Lauber Rebuttal, at 8-9.

ⁱⁱⁱ See Lauber Rebuttal, at 11-12.

Attachment B

WEC Merger Conditions – Open Items and
Potential Disagreements Between Parties

Attachment B

WEC Merger Conditions
Proposed as of April 3, 2015

Open Items and Potential Disagreements Between Parties

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
	Open Issues on Conditions Proposed in Minnesota					
		Service Quality	MERC will maintain or improve its existing service quality and reliability indices over the next two years.	Minnesota	Agreed with clarification that service quality issues caused by the merger should apply but non-merger-related service quality measures should not be included.	MERC commits to maintaining its service quality standards and to continue to provide relevant gas purchasing and demand entitlement information.
		Most Favored Nations	MERC will make a filing that extends to MERC ratepayers any conditions that benefit ratepayers of Integrys' other operating companies required by the Illinois Commerce Commission,, Michigan Public Service Commission, or Wisconsin Public Service Commission as part of those respective agencies merger approval processes related to the proposed transaction. MERC will make this filing within 90 days after the date on which the last of those proceedings conclude.	Minnesota	Not Agreed	This proposed condition is rendered moot by the parties' review process and the development of the list of conditions applicable to this transaction.
		Potential Rate Moratorium	DOC initially requested a 2.5 year rate moratorium but withdrew that request in Reply Comments in light of MERC's prior commitment to file a rate case in September 2015.	Minnesota	Agree no rate moratorium is appropriate in this instance.	Open issue among parties
		Synergy Savings	OAG requests that MERC be required to demonstrate at least \$2 million annually in ratepayer savings as a direct result of the merger transaction.		Not agreed	Open issue among parties
	Open Issues on Conditions Proposed in Michigan, Wisconsin and Illinois					

¹ Corresponds to Item numbers in Attachment C.

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
7	Accounting	Base rate freeze – Two years	The Gas Companies will not seek increases of their base rates set in Docket Nos. 14-0224/14-0225 (cons.) that would become effective earlier than two years after the Reorganization closes. All riders and automatic adjustment clauses in effect as of the Commission's final Order in Docket Nos. 14-0224/14-0225 (cons.) to remain in effect and continue to operate pursuant to their terms. The Gas Companies retain the right to request that the Commission waive this base rate limitation if the financial integrity of Peoples Gas and/or North Shore is jeopardized to the extent of negatively affecting customers. This commitment does not deprive the Gas Companies of their rights to seek rehearing or judicial review of the Commission's decision in Docket Nos. 14-0224/14-0225 (cons.).	Illinois	Accepted	Open Issue. WEC position is that rate moratorium is not appropriate and the Illinois moratorium is distinguishable. OAG position is that one could be available for consideration.
23	Accounting	Transition costs recovery	Transition costs may be recoverable to the extent the transition costs produce savings.	Illinois	Accepted	As Applicable to Minnesota OAG proposed language: MERC may only request recovery of transition costs to the extent that MERC can prove that the transition costs produce acquisition-related savings that are greater than the transition costs.
29	ATC	Divestiture of ATC ownership	Portion of WEC's ownership interest in ATC be "divested and made available at a fair market value to other existing ATC owners, in particular cooperatives and municipals."	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
30	ATC	Divestiture of ATC ownership	Divest between 10-12% of ATC.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
31	ATC	Divestiture of ATC ownership	WEC should divest its controlling interest in the ATC.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
32	ATC	Divestiture study	WEC Energy shall, within a year of the consummation of the acquisition, file with the Commission a full-fledged independent legal, investment banking, and policy divestiture analysis for the Commission to consider. WEC Energy will pay for the rigorous analysis. WEC Energy will submit several choices for vendors and the Commission shall choose the analysts.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
33	ATC	Makeup of ATC Board	ATC Board seats be filled by people from currently unrepresented entities.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
34	ATC	Makeup of ATC Board	Guarantee a seat on ATC Board for currently unrepresented municipal utility or cooperative.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
35	ATC	Ownership of Preferred Stock or another class of ATCMI or ATCLC voting securities	WEC Energy and its affiliates may not obtain additional voting interest in ATCMI and/or ATCLLC through the acquisition of ATCMI or ATCLLC securities, including, but not limited to ATCMI preferred stock.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
36	ATC	Participation on ATCMI Board	WEC Energy and its affiliates, include those serving on the ATCMI board, may only nominate one candidate for the board of ATCMI and may not hold more than one board position.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
37	ATC	Successor purchaser limitations	WEC Energy and its affiliates shall not sell or otherwise transfer its ownership interest in ATC (ATCMI and/or ATCLLC) except on terms which transfer the board position, board nomination, and voting securities ownership restrictions to the subsequent purchaser.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
38	ATC	Treatment of ownership interest in ATC	WEC Energy holdings in ATC shall not be restricted by an investment cap. <i>or</i> WEC Energy shall be restricted from participating in any capital calls until its ownership interest has been reduced to 34 percent. In the event that WEC Energy's ownership had not declined to 34 percent by the fifth anniversary of the acquisition date, WEC Energy shall divest itself of any ownership interest over 34 percent and subsequently maintain its ownership interest at or below that level. <i>or</i> Within 90 days of consummation of the acquisition, WEC Energy shall divest any ownership interest in excess of 34 percent.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
39	ATC	Voting of ATC shareholder interests	The 26% voting share we have identified in our voting restrictions will be reserved for voting by "entities presently unrepresented on the ATC Board."	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
40	ATC	Voting of ATC shareholder interests	Put WEC's 26% voting share in ATC in a voting trust for municipal utilities and cooperatives.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
41	ATC	Voting of ATC shareholder interests	WEC Energy voting, on all issues requiring ATCMI shareholder or ATCLLC member votes, shall be limited to the 34 percent share presently held by Integrys Energy.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
42	ATC	Voting of ATC shareholder interests	To ensure geographic diversity and a stronger voice for parties demanding competitive markets and efficient transmission service provision, the divestiture could be accomplished by making the appropriate portion of WEC's 26% share available in a voting trust for purchase at a fair market price by Wisconsin municipal utilities and cooperatives, including the current municipal and cooperative owners of ATC.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
43	ATC	Voting restrictions	Other than on "fundamental matters" as in Item 44 below, the combined company will not independently vote, or consent with respect to, in excess of 34.07 percent of the member interests or shares of ATC LLC or ATC Management, Inc., as applicable, and all other member interests and shares held by the combined company will be voted, or consented with respect to, in proportion to the way in which ATC Management and ATC LLC's shareholders and members who are not affiliated with the combined company vote or consent their respective shares and member interests.	Wisconsin	Accepted	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
44	ATC	Voting restrictions	The fundamental corporate matters on which the combined company would propose to maintain its full voting power in ATC and ATC Management, as referenced in Item 43 above, would be limited to the following matters (in each case, only to the extent that the governing documents of ATC LLC or ATC Management or applicable law require the vote or consent of the members or shareholders, as applicable): (a) the sale of substantially all of the assets of ATC LLC or ATC Management; (b) the merger, consolidation or share exchange of ATC LLC or ATC Management; (c) amendments to ATC LLC's or ATC Management's governing documents that would disproportionately and adversely affect the combined company's express rights as a member of shareholder relative to the other members and shareholders of ATC LLC or ATC Management; (d) bankruptcy of ATC LLC or ATC Management; and (e) an initial public offering of either ATC Management or ATC LLC. In no case will WEC or the combined company use its voting power in ATC LLC or ATC Management to initiate a fundamental matter or otherwise seek or propose to amend the governing documents of ATC LLC or ATC Management to provide voting or consent rights with respect to a matter that does not currently require a member or shareholder vote or consent.	Wisconsin	Accepted	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
57	Financial Filings / Notice	Annual credit reviews	All annual credit reviews of the Gas Companies and WEC Energy Group published by credit rating agencies shall be filed with the Commission in this docket within 10 business days after being published, and in a manner consistent with the requirements for publication imposed by the copyright holders.	Illinois	Accepted	Open DOC to Review.
58	Financial	Capital expenditures and compliance report	The Joint Applicants agree to make at least \$1 billion in capital expenditures for Peoples Gas and at least \$43 million in capital expenditures for North Shore during the 2015 through 2017 period. The Joint Applicants shall provide a running total of the Gas Companies' capital expenditures in their semi-annual compliance report to the Commission.	Illinois	Accepted	Open DOC to Review
59	Financial	Dividend prohibition	An appropriate common stock equity floor, on a financial basis for WEPCO/WG/WPSC is 48.5/47/49 percent. It is just and reasonable that WEPCO/WG/WPSC apply for and receive Commission approval before it issues any common stock dividend, including the forecasted dividend, if after the payment of such dividends the actual common equity ratio, on a financial basis, would be below 48.5/47/49 percent. For purposes of calculating off-balance sheet equivalents, the test year average should be used. Furthermore any dividend declared and booked in a month where the equity falls below the floor will be presumed to have caused the equity reduction.	Wisconsin	Unsettled	Open DOC to Review
60	Financial	Dividend restriction	WEPCO/WG/WPSC may not pay dividends above those estimates deemed reasonable in their most recent rate proceeding without prior Commission approval, if, after the payment of such dividends, the actual average common equity ratio, on a financial basis, would be below the test year authorized level of 51.00/49.50/51.00 percent. WEPCO/WG/WPSC shall notify the Commission if any special dividend is contemplated.	Wisconsin	Unsettled	Open DOC to Review
61	Financial	Dividend restriction	Restrict dividends from Wisconsin regulated subsidiaries to the parent company. For example, in any future year, the payout ratio should not exceed each company's average payout ratio for the most recent four years without Commission approval.	Wisconsin	Opposed	Open DOC to Review

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
62	Financial	Earnings cap	An earnings cap on the annual actual earnings of WEPCO, WG, and WPSC that would return to customers any earnings above each company's authorized return on equity (currently 10.2%, 10.3%, and 10.2%, respectively).	Wisconsin	Opposed	Open
63	Financial	Earnings cap	Adopt a savings surcredit mechanism based on WEPCO and WPSC's actual earnings in excess of their authorized returns on equity.	Wisconsin	Opposed	Open
65	Financial	Increased capital costs associated with holding company system actions	Deny recovery of increased financing costs due to rating agency downgrades.	Wisconsin	Opposed	Open
66	Financial	Increased capital costs associated with holding company system actions	Any increased capital costs determined by the Commission to be related to downgrading or other credit degradation of the holding company and/or non-utility affiliates, should be removed from the cost of capital for WEPCO, WG, and/or WPSC.	Wisconsin	Opposed	Open
86	Operations	Average Speed of Answer (ASA) -- Customer Service Call Center	WPSC shall maintain sufficient employees and equipment to achieve an average speed of answer of not more than 90 seconds, as required by Wis. Admin. Code § PSC 113.0503. The utility shall develop and submit to the Commission a plan for how WPSC would ensure that this requirement will be achieved.	Wisconsin	Accepted, with explanation ⁱ	Open MERC Reviewing
97	Operations	Gas emergency response time	WPSC shall cooperate with Commission Staff on a study of WPSC's gas emergency response process. Within six months of the closing of the transaction, this study group will report back to the Commission.	Wisconsin	Accepted	MERC will provide Copy of Completed Report to parties.
108	Operations	Peoples Gas Share the Warmth program	WEC Energy Group will contribute \$5 million of shareholder money over the next five years to the Peoples Gas Share the Warmth program, with \$1 million being contributed in 2015.	Illinois	Accepted	Open MERC to Provide Information on what is done now with Minnesota low income customers
116	Operations	Worker training commitment - Two years	The Gas Companies' existing commitments to worker training will be maintained for two years after the Reorganization closes.	Illinois	Accepted	Open MERC to Provide Information on current Minnesota worker training programs

Item ¹	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
130	Synergy savings	Bill credits	<p>WG, WEGO, VA Steam and MC Steam shall, as a condition of Commission approval of the acquisition, provide bill credits to all ratepayers either at the time of or shortly after the acquisition is consummated in the following amounts:</p> <p>Wisconsin Gas: \$2,095,000 to \$4,189,000 WEGO: \$1,251,000 to \$2,502,000</p> <p>VA Steam: \$339,000 to \$679,000 MC Steam: \$251,000 to \$502,000</p>	Wisconsin	Opposed.	Parties disagree as to applicability in Minnesota.
133	Synergy savings	Tracking transition costs -- alternate	If the Commission decides, instead of requiring bill credits, to freeze rates for a period of time, then for any new deferrals during the rate freeze period, recovery of such deferred amounts should only be allowed to the extent the utility is earning less than its authorized ROE, measured on a regulatory basis.	Wisconsin	Opposed	Parties disagree as to applicability in Minnesota.
138	Synergy savings	Transition costs recovery -- alternate	WEPCO, WG, and WPSC can recover acquisition-related transition costs from the Wisconsin retail jurisdiction, only if and to the extent such costs are: (a) incurred by or allocated to each of the utilities (each utilities portion or share of acquisition-related transition costs), (b) associated with financial benefits that each utility's ratepayers will receive as a result of the acquisition, and (c) the acquisition-related savings realized by each utility's ratepayers are equal to or greater than its acquisition-related transition costs.	Wisconsin	Accepted, with clarification ⁱⁱ	<p>As Applicable to Minnesota</p> <p>OAG proposed language: MERC may only request recovery of transition costs to the extent that MERC can prove that the transition costs produce acquisition-related savings that are greater than the transition costs.</p>

ⁱ See Lauber Rebuttal, at 10.

ⁱⁱ See Lauber Rebuttal, at 16-17.

Attachment C

WEC Merger Conditions – Master List

Attachment C

**WEC Merger Conditions – Master List
Proposed as of April 3, 2015**

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
	Commitments Made by MERC in its filings	Transaction Costs	MERC commits not to seek to recover in retail rates transactions costs incurred to execute the proposed transaction, or the acquisition premium paid by WEC to Integrys as part of the Proposed Transaction.	Minnesota	Agreed	Applicable to Minnesota
		Labor	MERC commits it will honor all labor existing contracts	Minnesota	Agreed	Applicable to Minnesota
		Workforce	MERC commits for a period of two years that it will not make any workforce reductions beyond what might occur through attrition.	Minnesota	Agreed	Applicable to Minnesota
		Community involvement	MERC commits to maintain historic levels of community and charitable involvement.	Minnesota	Agreed	Applicable to Minnesota
		Customer Service	MERC commits to maintain the same level of customer service after the Proposed Transaction.	Minnesota	Agreed	Applicable to Minnesota
	DOC Requested Conditions (taken from Reply Comments)	Acquisition Premium and Transaction Costs	MERC will not attempt to recover the acquisition premium or the costs of executing the proposed transaction from its utility customers.	Minnesota	Agreed	Applicable to Minnesota
		Service Quality	MERC will maintain or improve its existing service quality and reliability indices over the next two years.	Minnesota	Agreed with clarification that service quality issues caused by the merger should apply but non-merger-related service quality measures should not be included.	MERC commits to maintaining its service quality standards and to continue to provide relevant gas purchasing and demand entitlement information.
		Workforce	MERC will not make any material workforce reductions beyond what might occur through attrition for at least two years.	Minnesota	Agreed	Applicable to Minnesota
		Most Favored Nations	MERC will make a filing that extends to MERC ratepayers any conditions that benefit ratepayers of Integrys' other operating companies required by the Illinois Commerce Commission,, Michigan Public Service Commission, or Wisconsin Public Service Commission as part of those respective agencies merger approval processes related to the proposed transaction. MERC will make this filing within 90 days after the date on which the last of those proceedings conclude.	Minnesota	Not Agreed	This proposed condition is rendered moot by the parties' review process and the development of the list of conditions applicable to this transaction.

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
		Potential Rate Moratorium	DOC initially requested a 2.5 year rate moratorium but withdrew that request in Reply Comments in light of MERC's prior commitment to file a rate case in September 2015.	Minnesota	Agree no rate moratorium is appropriate in this instance.	Open issue among parties
	OAG Requested Conditions	Binding Commitment	MERC agrees with the OAG's position that all of the commitments that MERC made in its Minnesota filings are binding.	Minnesota	Agreed	Applicable to Minnesota
		Synergy Savings	OAG requests that MERC be required to demonstrate at least \$2 million annually in ratepayer savings as a direct result of the merger transaction.		Not agreed	Open issue among parties
	Conditions Proposed in Michigan, Wisconsin and Illinois					
1	Accounting	Accounting for transaction costs	All transaction costs incurred by or allocated to WEPCO, WG, and WPSC shall be specifically identified and allocated to non-utility accounts.	Wisconsin	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
2	Accounting	Accounting for transaction costs	In future rate cases, the Gas Companies shall identify all transaction costs included in the test period that result from accomplishing the Reorganization and demonstrate that such costs are not included in the rate case for recovery.	Illinois	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
3	Accounting	Accounting for transaction and transition costs	The Gas Companies shall separately identify and track transaction costs and transition costs.	Illinois	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
4	Accounting	Acquisition premium	Deny direct and indirect recovery of the acquisition premium.	Wisconsin	See Item 5	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
5	Accounting	Acquisition premium	WEC Energy may not recover any acquisition premium from the utility ratepayers. No acquisition premium, even though not recoverable in rates, may be allocated to WEPCO, WG, or WPSC account.	Wisconsin	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
6	Accounting	Acquisition premium	Deny recovery of acquisition premium in any form, whether write-up of assets or goodwill regardless of whether incurred before or after transaction closes and regardless of which entity records the costs.	Wisconsin	See Item 5	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
7	Accounting	Base rate freeze – Two years	The Gas Companies will not seek increases of their base rates set in Docket Nos. 14-0224/14-0225 (cons.) that would become effective earlier than two years after the Reorganization closes. All riders and automatic adjustment clauses in effect as of the Commission's final Order in Docket Nos. 14-0224/14-0225 (cons.) to remain in effect and continue to operate pursuant to their terms. The Gas Companies retain the right to request that the Commission waive this base rate limitation if the financial integrity of Peoples Gas and/or North Shore is jeopardized to the extent of negatively affecting customers. This commitment does not deprive the Gas Companies of their rights to seek rehearing or judicial review of the Commission's decision in Docket Nos. 14-0224/14-0225 (cons.).	Illinois	Accepted	Open Issue. WEC position is that rate moratorium is not appropriate and the Illinois moratorium is distinguishable. OAG position is that one could be available for consideration.

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
8	Accounting	Power the future ROE	Adjust the ROE in the current PTF leases to match the level determined as reasonable in each rate case.	Wisconsin	Opposed	Not Applicable to Minnesota
9	Accounting	Power the future ROE	Mitigate the costs of excess generation capacity by allocating a portion of the PTF lease costs to wholesale operations in lieu of retail operations and/or foregoing recovery of ROE and PTF lease payments for assets that are not used and useful.	Wisconsin	Opposed	Not Applicable to Minnesota
10	Accounting	Proof of exclusion	Identify all transaction, transition, and acquisition premium costs in an accounting system.	Wisconsin	See Item 11	Applicable to Minnesota
11	Accounting	Proof of exclusion	After closing, and in any rate proceeding decided within six years after the Transaction closing, the Applicant shall provide proof that no transaction costs are included in historical expenses of the operating utility or in the determination of revenue requirement.	Wisconsin	Accepted	Applicable to Minnesota
12	Accounting	Proof of exclusion	Identify all transaction and transition costs in accounting system.	Wisconsin	See Item 11	Applicable to Minnesota
13	Accounting	Purchase accounting/Push-down accounting	Push-down accounting related to the Reorganization will only be used by the Wisconsin Operating Companies for financial reporting if required by Generally Accepted Accounting Principles (GAAP). Push down accounting related to the Reorganization will not be used by the Wisconsin Operating Companies for regulatory accounting or ratemaking purposes regardless of GAAP requirements.	Wisconsin	Accepted	Applicable to Minnesota
14	Accounting	Purchase accounting/Push-down accounting	Deny "push down" of acquisition premium and transaction costs for WEPCO and WPSC ratemaking purposes regardless of which entity records the costs, GAAP accounting requirements, and whether incurred before or after transaction closes.	Wisconsin	See Item 13 ¹	Applicable to Minnesota
15	Accounting	Push- down accounting	Any accounting entries made to the books of the Gas Companies for push-down accounting related to the Reorganization shall be disregarded for ratemaking and regulatory reporting purposes.	Illinois	Accepted	Applicable to Minnesota
16	Accounting	Savings to ratepayers	Allocation of any savings resulting from the proposed reorganization shall flow through to ratepayers.	Illinois	Accepted	Applicable to Minnesota
17	Accounting	Transaction costs and fuel rules	Transaction costs should not be considered in determining excess revenues under Wis. Admin. Code § PSC 116.07(6) or any other Commission determination in which earnings is a consideration.	Wisconsin	Accepted	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
18	Accounting	Transaction costs definition	Approximate acquisition-related transaction costs shall include: \$22 million to investment bankers; \$14.4 million legal; \$1.5 million legal – debt offering; \$1 million regulatory affairs; \$1 million transfer agent fees; \$1 million printers fees; \$750,000 SEC Registration; \$650,000 rating agency fees; \$350,000 tax and other financial consulting work; \$250,000 audit fees for S-4 filing; \$100,000 communications; \$47.6 million in pure change-in-control payments; a portion of \$140 million “cash-out” payments that vests at closing; and \$1.9 million to \$5.6 million annually for six years of directors and officers tail insurance or equivalent policy. <u>This list may not be exhaustive, and reflects current estimates.</u>	Wisconsin	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
19	Accounting	Transaction costs recovery	Deny recovery of all transaction costs regardless of whether incurred before or after the transaction closes.	Wisconsin	See Item 20 ⁱⁱ	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
20	Accounting	Transaction costs recovery	The Applicant shall expense the transaction costs as incurred. WEPCO, WG, and WPSC may not recover any acquisition-related transaction costs from the Wisconsin retail jurisdictions.	Wisconsin	Accepted ⁱⁱⁱ	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
21	Accounting	Transaction costs recovery	Deny recovery of transaction costs in any form, regardless of which entity records the costs and regardless of whether incurred before or after transaction closes.	Wisconsin	See Item 20 ^{iv}	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
22	Accounting	Transaction costs recovery	Transaction costs incurred in accomplishing the proposed Reorganization shall not be recoverable from ratepayers.	Illinois	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
23	Accounting	Transition costs recovery	Transition costs may be recoverable to the extent the transition costs produce savings.	Illinois	Accepted	As Applicable to Minnesota OAG proposed language: MERC may only request recovery of transition costs to the extent that MERC can prove that the transition costs produce acquisition-related savings that are greater than the transition costs.
24	Accounting	Transaction costs recovery / severance costs	The Gas Companies will not seek recovery of any severance costs that are transaction costs because they are incurred as part of accomplishing the Transaction (i.e., executive change-in-control payments identified in SEC Form S-4).	Illinois	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
25	Affiliated Interest Filings / Notice	Affiliated Interest Agreement	WEPCO, WG and WPSC shall be obligated to comply with the terms of Wisconsin’s Holding Company Act, Wis. Stat. §§ 196.52 and 196.795, relating to affiliated interest transactions.	Wisconsin	Accepted	Not Applicable to Minnesota
26	Affiliated Interest Filings / Notice	Affiliated Interest Agreement	The Joint Applicants must provide the Manager of the Commission’s Accounting Department and file on the ICC’s e-Docket system in Docket No. 14-0496, a copy of the signed, executed Interim WEC Energy Group Affiliated Interest Agreement (“Interim Agreement”) that is being approved by the Commission in this proceeding, within 60 days after the date of the transaction.	Illinois	Accepted	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
27	Affiliated Interest	Affiliated Interest cost recovery	Deny recovery of duplicate costs incurred by WE and Integrys service companies under Interim Affiliate Agreements.	Wisconsin	Accepted, with clarification ^y	Not Applicable to Minnesota
28	Affiliated Interest Filings / Notice	Supplemental filings regarding Affiliated Interest Agreements	The Gas Companies must supplement the information provided annually in their Form 21 ILCCs to the Commission with the following information on page 47 of ILCC Form 21, beginning with the 2014 information to be submitted by March 31, 2015: Column A – A breakdown of affiliated transactions by functional area grouped by direct billed versus allocated costs Column B – Name of associated/affiliated company providing or receiving the service Column C – Account that charges from associated/affiliated company are booked if the costs would have originated at the utility Column D – Amount for the year Column E – Docket number and regulatory authority approving the transaction Column F – Footnote referencing the applicable exhibits from the affiliated interest agreements.	Illinois	Accepted	Not Applicable to Minnesota
29	ATC	Divestiture of ATC ownership	Portion of WEC's ownership interest in ATC be "divested and made available at a fair market value to other existing ATC owners, in particular cooperatives and municipals."	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
30	ATC	Divestiture of ATC ownership	Divest between 10-12% of ATC.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
31	ATC	Divestiture of ATC ownership	WEC should divest its controlling interest in the ATC.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
32	ATC	Divestiture study	WEC Energy shall, within a year of the consummation of the acquisition, file with the Commission a full-fledged independent legal, investment banking, and policy divestiture analysis for the Commission to consider. WEC Energy will pay for the rigorous analysis. WEC Energy will submit several choices for vendors and the Commission shall choose the analysts.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
33	ATC	Makeup of ATC Board	ATC Board seats be filled by people from currently unrepresented entities.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
34	ATC	Makeup of ATC Board	Guarantee a seat on ATC Board for currently unrepresented municipal utility or cooperative.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
35	ATC	Ownership of Preferred Stock or another class of ATCMI or ATCLC voting securities	WEC Energy and its affiliates may not obtain additional voting interest in ATCMI and/or ATCLLC thought the acquisition of ATCMI or ATCLLC securities, including, but not limited to ATCMI preferred stock.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
36	ATC	Participation on ATCMI Board	WEC Energy and its affiliates, include those serving on the ATCMI board, may only nominate one candidate for the board of ATCMI and may not hold more than one board position.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
37	ATC	Successor purchaser limitations	WEC Energy and its affiliates shall not sell or otherwise transfer its ownership interest in ATC (ATCMI and/or ATCLLC) except on terms which transfer the board position, board nomination, and voting securities ownership restrictions to the subsequent purchaser.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
38	ATC	Treatment of ownership interest in ATC	WEC Energy holdings in ATC shall not be restricted by an investment cap. <i>or</i> WEC Energy shall be restricted from participating in any capital calls until its ownership interest has been reduced to 34 percent. In the event that WEC Energy's ownership had not declined to 34 percent by the fifth anniversary of the acquisition date, WEC Energy shall divest itself of any ownership interest over 34 percent and subsequently maintain its ownership interest at or below that level. <i>or</i> Within 90 days of consummation of the acquisition, WEC Energy shall divest any ownership interest in excess of 34 percent.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
39	ATC	Voting of ATC shareholder interests	The 26% voting share we have identified in our voting restrictions will be reserved for voting by "entities presently unrepresented on the ATC Board."	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
40	ATC	Voting of ATC shareholder interests	Put WEC's 26% voting share in ATC in a voting trust for municipal utilities and cooperatives.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
41	ATC	Voting of ATC shareholder interests	WEC Energy voting, on all issues requiring ATCMI shareholder or ATCLLC member votes, shall be limited to the 34 percent share presently held by Integrys Energy.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
42	ATC	Voting of ATC shareholder interests	To ensure geographic diversity and a stronger voice for parties demanding competitive markets and efficient transmission service provision, the divestiture could be accomplished by making the appropriate portion of WEC's 26% share available in a voting trust for purchase at a fair market price by Wisconsin municipal utilities and cooperatives, including the current municipal and cooperative owners of ATC.	Wisconsin	Opposed	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
43	ATC	Voting restrictions	Other than on "fundamental matters" as in Item 44 below, the combined company will not independently vote, or consent with respect to, in excess of 34.07 percent of the member interests or shares of ATC LLC or ATC Management, Inc., as applicable, and all other member interests and shares held by the combined company will be voted, or consented with respect to, in proportion to the way in which ATC Management and ATC LLC's shareholders and members who are not affiliated with the combined company vote or consent their respective shares and member interests.	Wisconsin	Accepted	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
44	ATC	Voting restrictions	The fundamental corporate matters on which the combined company would propose to maintain its full voting power in ATC and ATC Management, as referenced in Item 43 above, would be limited to the following matters (in each case, only to the extent that the governing documents of ATC LLC or ATC Management or applicable law require the vote or consent of the members or shareholders, as applicable): (a) the sale of substantially all of the assets of ATC LLC or ATC Management; (b) the merger, consolidation or share exchange of ATC LLC or ATC Management; (c) amendments to ATC LLC's or ATC Management's governing documents that would disproportionately and adversely affect the combined company's express rights as a member of shareholder relative to the other members and shareholders of ATC LLC or ATC Management; (d) bankruptcy of ATC LLC or ATC Management; and (e) an initial public offering of either ATC Management or ATC LLC. In no case will WEC or the combined company use its voting power in ATC LLC or ATC Management to initiate a fundamental matter or otherwise seek or propose to amend the governing documents of ATC LLC or ATC Management to provide voting or consent rights with respect to a matter that does not currently require a member or shareholder vote or consent.	Wisconsin	Accepted	WEC Position is Not Applicable to Minnesota DOC and OAG Open Issues and are Considering
45	Favored nation	Most favored nation Condition	"Most favored nation" status with respect to conditions in other jurisdictions.	Wisconsin	Unsettled	Not Applicable to Minnesota
46	Favored nation	Most favored nation condition	Regardless of whether a Commission review is performed, the cost of any acquisition condition from another jurisdiction subsequently found to have an adverse cost impact on Wisconsin customers, shall be absorbed by WEC Energy without recourse to, or reimbursement by, WEPCO, WPSC, or WG.	Wisconsin	Unsettled	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
47	Favored nation	Most favored nation condition	Adopt a "most favored nation clause." In other words, any concessions agreed to or conditions imposed by regulators in other jurisdictions should be adopted in Wisconsin.	Wisconsin	Unsettled	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
48	Favored nation	Reopen to review impact of merger conditions from other jurisdictions	Consummation of the acquisition shall be conditioned upon a Commission review of acquisition conditions from all other jurisdictions having approval authority relating to various aspects of the acquisition, to determine whether further Commission conditions are subsequently required. The acquisition shall not be consummated until the earlier of 1) a Commission determination whether additional conditions are warranted, or 2) 30 days after the last jurisdiction approval is granted, in the event no Commission instigation of a review is begun within 30 days.	Wisconsin	Opposed	Not Applicable to Minnesota
49	Filings / Notice	Compliance report	The Joint Applicants must file a semi-annual compliance report on the ICC's e-Docket system in Docket No. 14-0496, reporting the status of their progress on all conditions imposed by the Commission in this case until all conditions have been satisfied or the Joint Applicants petition the Commission and receive approval to cease such reporting requirement, whichever comes first.	Illinois	Accepted	Applicable to Minnesota with Conforming Language to Apply to Minnesota
50	Filings / Notice	Compliance report identifying capital structure	The Gas Companies shall file a compliance report in Docket No. 14-0496 within 180 days after the close of the Reorganization, with a copy to the Manager of the Commission's Finance Department, that describes the Gas Companies' post-merger capital structures and identifies capital structure adjustments, if any, that resulted from the Reorganization, and, in the event that there are push-down accounting adjustments made to the Gas Companies' balance sheets as a result of the Reorganization, that the Gas Companies shall file a petition with the Commission seeking Commission approval of the fair value studies and resulting capital structures for the Gas Companies pursuant to Section 6-103 of the Act.	Illinois	Accepted	Applicable to Minnesota with Conforming Language to Apply to Minnesota
51	Filings / Notice	Filing of final agreement	The Joint Applicants must provide to the Manager of the Commission's Accounting Department and file on the ICC's e-Docket system in Docket No. 14-0496 a copy of the signed, executed Final Agreement pursuant to the Commission order in Docket Nos. 12-0273/13-0612 (Cons.) if there are any changes between the Interim Agreement and a Final Agreement.	Illinois	Accepted	Applicable to Minnesota with Conforming Language to Apply to Minnesota
52	Filings / Notice	Notice of transaction	Wisconsin Energy will file a notice in this proceeding on e-Docket, to be served in the normal course as other filings on the parties of record, informing the Commission and the parties when closing of the Transaction has occurred.	Illinois	Accepted	Applicable to Minnesota with Conforming Language to Apply to Minnesota
53	Filings / Notice	Report on status of compliance with Docket No. 14-0496	The Chief Executive Officer of WEC Energy Group must, on an annual basis, appear before the Commission to report on the status of the Joint Applicants' compliance with the Order in Docket No. 14-0496, and to continue to appear until all conditions have been satisfied or the Joint Applicants petition the Commission and receive approval to cease such appearance requirement, whichever comes first.	Illinois	Accepted	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
54	Filings / Notice	Written reports	Peoples Gas will provide written reports to the Commission Staff on or before January 1 and July 1 of each year, beginning in the year 2018 and ending only after the completion of the AMRP or any successor program that replaces the AMRP, about any change in implementation of the recommendations in the final report of the investigation of Peoples Gas' AMRP to the extent it is determined they should be implemented pursuant to Condition #9 (implementing the recommendations contained in the final report), above. An officer of Peoples Gas shall provide written verification of the accuracy and completeness of each report.	Illinois	Accepted	Not Applicable to Minnesota
55	Filings / Notice	Written reports	The Gas Companies shall cease their reporting on Condition #24 from Docket No. 06-0540.	Illinois	Accepted	Not Applicable to Minnesota
56	Filings / Notice	Tariff filing	North Shore and Peoples Gas each shall make a tariff filing under Section 9-201 of the Act to revise Section G of Rider P of their Schedule of Rates for Gas Service to restore, with two revisions, the tariff language creating a late nomination right, which terminated on January 31, 2014. The revisions are: (1) delete the phrase "For the period commencing May 1, 2012, and ending January 31, 2014,"; and (2) rather than state specific times at which North Shore/Peoples Gas will post the aggregate quantity of changes (was 2:00 p.m. Central Time) and at which the nomination is due (was 3:00 p.m. Central Time), state the times as relative to the timely nomination deadline established by the Federal Energy Regulatory Commission for interstate pipelines (i.e., in place of 2:00 p.m. Central Time, two and one-half hours after the timely nomination deadline and in place of 3:00 p.m. Central Time, three and one-half hours after the timely nomination deadline).	Illinois	Accepted	Not Applicable to Minnesota
57	Financial Filings / Notice	Annual credit reviews	All annual credit reviews of the Gas Companies and WEC Energy Group published by credit rating agencies shall be filed with the Commission in this docket within 10 business days after being published, and in a manner consistent with the requirements for publication imposed by the copyright holders.	Illinois	Accepted	Open DOC to Review.
58	Financial	Capital expenditures and compliance report	The Joint Applicants agree to make at least \$1 billion in capital expenditures for Peoples Gas and at least \$43 million in capital expenditures for North Shore during the 2015 through 2017 period. The Joint Applicants shall provide a running total of the Gas Companies' capital expenditures in their semi-annual compliance report to the Commission.	Illinois	Accepted	Open DOC to Review

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
59	Financial	Dividend prohibition	An appropriate common stock equity floor, on a financial basis for WEPCO/WG/WPSC is 48.5/47/49 percent. It is just and reasonable that WEPCO/WG/WPSC apply for and receive Commission approval before it issues any common stock dividend, including the forecasted dividend, if after the payment of such dividends the actual common equity ratio, on a financial basis, would be below 48.5/47/49 percent. For purposes of calculating off-balance sheet equivalents, the test year average should be used. Furthermore any dividend declared and booked in a month where the equity falls below the floor will be presumed to have caused the equity reduction.	Wisconsin	Unsettled	Open DOC to Review
60	Financial	Dividend restriction	WEPCO/WG/WPSC may not pay dividends above those estimates deemed reasonable in their most recent rate proceeding without prior Commission approval, if, after the payment of such dividends, the actual average common equity ratio, on a financial basis, would be below the test year authorized level of 51.00/49.50/51.00 percent. WEPCO/WG/WPSC shall notify the Commission if any special dividend is contemplated.	Wisconsin	Unsettled	Open DOC to Review
61	Financial	Dividend restriction	Restrict dividends from Wisconsin regulated subsidiaries to the parent company. For example, in any future year, the payout ratio should not exceed each company's average payout ratio for the most recent four years without Commission approval.	Wisconsin	Opposed	Open DOC to Review
62	Financial	Earnings cap	An earnings cap on the annual actual earnings of WEPCO, WG, and WPSC that would return to customers any earnings above each company's authorized return on equity (currently 10.2%, 10.3%, and 10.2%, respectively).	Wisconsin	Opposed	Open
63	Financial	Earnings cap	Adopt a savings surcredit mechanism based on WEPCO and WPSC's actual earnings in excess of their authorized returns on equity.	Wisconsin	Opposed	Open
64	Financial	Hold Cloverland harmless for SSR payments related to the PIPP	Require Wisconsin Energy to hold Cloverland harmless from its SSR payment obligations related to the PIPP.	Michigan	Opposed	Not Applicable to Minnesota
65	Financial	Increased capital costs associated with holding company system actions	Deny recovery of increased financing costs due to rating agency downgrades.	Wisconsin	Opposed	Open
66	Financial	Increased capital costs associated with holding company system actions	Any increased capital costs determined by the Commission to be related to downgrading or other credit degradation of the holding company and/or non-utility affiliates, should be removed from the cost of capital for WEPCO, WG, and/or WPSC.	Wisconsin	Opposed	Open

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
67	Financial	Maintain existing Wisconsin Electric Michigan Electric Business base tariff until cost of service study and approval of new base tariff rates	The closing of the sale of Wisconsin Electric's (i) Presque Isle Power Plant ("PIPP"); and (ii) Wisconsin Electric's Michigan electric distribution assets, customers and business (collectively, "Wisconsin Electric's Michigan Electric Business") to Upper Peninsula Power Company ("UPPCo") contemporaneously with the closing of the Proposed Transaction, whereby UPPCo maintains existing Wisconsin Electric Michigan Electric Business base tariff rates at the closing of the sale for customers within Wisconsin Electric's Michigan Electric Business service territory until UPPCo completes a cost of service study and, without waiving the right to self-implement rates pursuant to MCL 460.6a(1), receives approval of the new base tariff rates pursuant to a Commission order. This condition would not preclude UPPCo from filing a request for deferred accounting approval.	Michigan	Accepted	Not Applicable to Minnesota
68	Financial	Maintain existing WPS Corp Michigan base tariff rates until UPPCo completes a cost of service study and receives approval for new base tariff rates	The closing of the sale of WPS Corp's Michigan electric distribution assets, customers, and business to UPPCo contemporaneously with the closing of the Proposed Transaction, where, except with respect to rates subsequently approved in WPS Corp's pending base rate case, UPPCo maintains existing WPS Corp Michigan base tariff rates at the closing of the sale for customers within WPS Corp's Michigan electric service territory until UPPCo completes a cost of service study and, without waiving the right to self-implement rates pursuant to MCL 460.6a(1), receives approval for new base tariff rates through a Commission order. This condition would not preclude UPPCo from filing a request for deferred accounting approval.	Michigan	Accepted	Not Applicable to Minnesota
69	Financial	Maintain separate credit facilities	Peoples Gas and North Shore are to maintain separate credit facilities to the extent they existed prior to the entry of the final Order in this proceeding approving the Reorganization, not accessible to nor influenced by non-utility affiliates.	Illinois	Accepted	Not Applicable to Minnesota
70		Modify existing wholesale power supply agreement	Require Wisconsin Energy to agree to modify the existing wholesale power supply agreement between WEPCo and Cloverland to provide Cloverland an option exercisable on one year's notice to terminate the agreement without cost or penalty of any kind.	Michigan	Opposed	Not Applicable to Minnesota
71	Financial	Cloverland Presque Isle	(1) Adding a condition that requires WEC or WEPCo to cover Cloverland's entire SSR liability risk related to PIPP would address Cloverland's first concern. This is a reasonable condition, given that Cloverland receives no reliability benefit from PIPP, and WEC and WEPCo created the LBA split that shifted significant PIPP SSR liabilities to Cloverland. There seems to be no reason that WEC and WEPCo could take such actions and the Commission would grant their request to merge with another utility. Without this condition, the proposed Settlement Agreement is not in the public interest, because a significant portion of Eastern Upper Peninsula is stuck with a crippling bill from MISO without any corresponding benefit.	Michigan	Opposed	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
72	Financial	Money pool and guarantees	WEPCO, WG and WPSC shall not participate in money pools (i.e. an arrangement under which cash is shared between WEC Energy Group and its subsidiaries).	Wisconsin	Accepted	Applicable to Minnesota
73	Financial	Money pool and guarantees	Prohibit each Wisconsin regulated subsidiary from loaning funds to or borrowing funds from the post-acquisition parent or other regulated subsidiaries.	Wisconsin	Accepted, with clarification ^{vi}	Applicable to Minnesota
74	Financial	Prohibition from lending to non-utility affiliates	The Gas Companies shall be prohibited from lending to non-utility affiliates under Section 7-101 of the Act or 83 Illinois Administrative Code Part 340.	Illinois	Accepted	Not Applicable to Minnesota
75	Financial	Separate credit rating and debt	Require that each Wisconsin regulated subsidiary maintain its own credit rating and portfolio of debt that is independent of the post-acquisition parent.	Wisconsin	Unsettled	Not Applicable to Minnesota
76	Financial Filings / Notice	WEC debt reduction plan	WEC Energy shall file with the Commission, within 90 days of the consummation of the acquisition, a report detailing the debt held at the WEC Group holding company and Integrys sub-holding company levels, its relationship to total holding company debt and the company's plans to reduce the debt. WEC Energy shall file with the Commission updated reports annually until the debt at the holding companies declines to 15 percent of total debt. WEC Energy shall notify the Commission within 30 days of any changes to the debt reduction plan or holding company debt.	Wisconsin Illinois	Unsettled	Not Applicable to Minnesota
77	Financial	Costs	Proposal to treat unrecovered book value of Presque Isle power plant (approximately \$189.9 million) as a transaction cost and therefore it shall not be recovered from Wisconsin ratepayers.	Wisconsin	Unsettled	Not Applicable to Minnesota
78	Generation	Generation plan	The utilities shall submit a joint integrated resource plan based on EGEAS modeling that analyzes various generating alternatives similar to the individual utility filings recently filed with the Commission. This integrated resource plan shall be filed within 90 days of the date of the closing.	Wisconsin	Unsettled	Not Applicable to Minnesota
79	Generation	Generation plan	Clarification of whether WEC is offering to delay Fox Energy Center as a condition of approval.	Wisconsin	Opposed	Not Applicable to Minnesota
80	Generation	Generation plan	Withdrawal or delay of WPSC's application for a new natural gas-fired power plant known as Fox Energy Center 3. Going forward, WPSC and WEPCO must work jointly on their resource planning and generating resources.	Wisconsin	Opposed	Not Applicable to Minnesota
81	Holding company	Applicable requirements	WEC Energy shall be subject to all applicable requirements of Wis. Stat. § 196.795 and to all of the conditions and requirements in any Commission order related to WEC and Integrys, including but not limited to the holding company formation orders and relevant merger orders.	Wisconsin	Accepted	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
82	Holding company	Books and records	All books and records of all entities in the corporate structure shall be readily available for Commission staff review in a reasonable manner, subject to approval by the Commission.	Wisconsin	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
83	Holding company	Notice of filings	The Commission shall receive prompt notice of any filing by any of the holding company or its subsidiaries with other state commissions and FERC that is relevant to the Commission's authority and obligations.	Wisconsin	Unsettled	Not Applicable to Minnesota
84	Operations	Accelerated Main Replacement Program	Peoples Gas will continue the Accelerated Main Replacement Program ("AMRP"), assuming it receives and continues to receive appropriate cost recovery, with a planned 2030 completion date.	Illinois	Accepted	Not Applicable to Minnesota
85	Operations	Accelerated Main Replacement Program	The Joint Applicants will review and attempt to improve their performance with respect to the AMRP on a continuing basis as work on the project progresses.	Illinois	Accepted	Not Applicable to Minnesota
86	Operations	Average Speed of Answer (ASA) -- Customer Service Call Center	WPSC shall maintain sufficient employees and equipment to achieve an average speed of answer of not more than 90 seconds, as required by Wis. Admin. Code § PSC 113.0503. The utility shall develop and submit to the Commission a plan for how WPSC would ensure that this requirement will be achieved.	Wisconsin	Accepted, with explanation ^{vii}	Open
87	Operations	Board composition	For as long as the Gas Companies are owned by the WEC Energy Group, at least one member of the WEC Energy Group Board of Directors will be an Illinois resident.	Illinois	Accepted	Not Applicable to Minnesota
88	Operations	Charitable contributions	The current levels of discretionary charitable contributions will be maintained for three years following the closing of the Transaction. <i>or</i> No condition involving charitable contributions will be required.	Wisconsin	Second proposed condition accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
89	Operations	Chicago Department of Transportation dMaps website	The Joint Applicants will continue investigating whether and to what extent it is possible for the Gas Companies to participate in the Chicago Department of Transportation's dotMaps website.	Illinois	Accepted	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
90	Operations	Choices For You program	<p>The Gas Companies shall meet and discuss with RESA the following issues relating to the Gas Companies' small volume (Choices For You) and large volume transportation programs subsequent to the Commission issuing its final Order in Docket No. 14-0496:</p> <p>a) The Gas Companies' pooling charges;</p> <p>b) Development of a process to allow Percentage of Income Payment Program (PIPP) customers to choose an alternative gas supplier;</p> <p>c) Adoption of email, a secure FTP site, or fax for enrollment confirmations;</p> <p>d) Modification of the liquidated damages provision in the existing Choices For You Billing Services Agreement to make it consistent with that type of agreement;</p> <p>e) Development of a "wallet ready" enrollment process;</p> <p>f) The billing for non-commodity products and services by non-affiliates on utility bills; and</p> <p>g) A purchase of receivables tariff as described in the testimony of Ms. Debra Egelhoff in ICC Docket Nos. 14-0224/14-0225 (consol.).</p>	Illinois	Accepted	Not Applicable to Minnesota
91	Operations	Community involvement	WEC Energy Group will maintain Integrys' existing levels of community involvement in the communities the Gas Companies serve.	Illinois	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
92	Operations Filings / Notice	Cooperation with Commission Staff to implement recommendations in report	Peoples Gas will cooperate fully with the Commission's Staff and consultants as they work to verify that Peoples Gas has implemented the recommendations in the final report on the Peoples Gas' AMRP investigation to the extent it is determined they should be implemented pursuant to Condition #9, above. ^{viii} Cooperation means to provide requested personnel who are reasonably involved in, connected to, and/or relevant to the AMRP and/or the Liberty audit for interviews in a timely manner in which the personnel interviewed shall provide, to the best of their ability, accurate and complete nonprivileged information in response to questions asked, to answer written questions in a reasonable time with accurate and complete non-privileged information, and to make all non-privileged information, equipment, work sites, work forces and facilities available for inspection upon reasonable request.	Illinois	Accepted	Not Applicable to Minnesota
93	Operations	Coordination of workforce plan	WEC "meet and confer with Local 420 and other employee representatives in developing a post-acquisition workforce plan."	Wisconsin	Opposed	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
94	Operations Filings / Notice	Customer service call center	<p>WEC Energy shall notify the Commission if the number of permanent customer service employees at any of the call centers decreases by ten percent or more.</p> <p><i>or</i></p> <p>WEC Energy shall submit to the Commission for approval any plans to combine any customer service call center operations, before implementing the plans.</p> <p><i>or</i></p> <p>WEC shall notify the Commission of any plans to combine any customer service call center operations, 60 days before beginning to implement the plans. Such notice should include a cost/benefit analysis of the proposal.</p>	Wisconsin	Opposed	Not Applicable to Minnesota
95	Operations	Employee headcount -- Five years	Similar condition regarding headcount as offered in Illinois, but for a five-year period.	Wisconsin	Opposed	Not Applicable to Minnesota
96	Operations	Employee headcount – Two years	<p>WEC Energy Group will maintain at least 1,953 full-time equivalent employment (“FTEs”) positions in the State of Illinois for two years after the Reorganization closes.</p> <p><i>In the alternative:</i> The Joint Applicants agree that the Gas Companies will maintain at least 1,534 FTEs for two years after the Reorganization closes.</p>	Illinois	Accepted	Not Applicable to Minnesota
97	Operations	Gas emergency response time	WPSC shall cooperate with Commission Staff on a study of WPSC’s gas emergency response process. Within six months of the closing of the transaction, this study group will report back to the Commission.	Wisconsin	Accepted	MERC will provide Copy of Completed Report to parties.

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
98	Operations Filings / Notice	Implementation of recommendations in final report Reporting on implementation	With respect to each recommendation contained in the final report of the investigation of Peoples Gas' AMRP completed at the direction of the Commission in its June 18, 2013 Order in Docket No. 12-0512 under the authority granted in Section 8-102 of the Act (220 ILCS 5/8-102), Peoples Gas shall evaluate the recommendation and implement it if the recommendation is possible to implement, practical and reasonable from the standpoint of stakeholders and Peoples Gas customers, and cost-effective. Implementing a recommendation means taking action per a recommendation. If Peoples Gas determines that a recommendation is not possible, practical, and reasonable, including that the recommendation would not be cost-effective or would require imprudent expenditures. Peoples Gas shall provide an explanation of Peoples Gas' determination with all necessary documentation and studies to demonstrate to the satisfaction of the Commission Staff that strict implementation of the recommendation is not possible, practical, or reasonable, along with an alternative plan to accomplish the goals of the recommendation as fully as is possible, practical, and reasonable. In the event that Peoples Gas and Commission Staff cannot reach agreement as to whether a recommendation should be implemented and/or how it should be implemented, Peoples Gas may file a petition to obtain the Commission's determination as to whether and/or how the recommendation is to be implemented.	Illinois	Accepted	Not Applicable to Minnesota
99	Operations Filings / Notice	Implementation of the ICE Project	WEC Energy shall notify the Commission if it develops any plans to implement part, or all, of the software developed through the ICE project, or some, or all, of the customer service policy changes proposed by WPSC, within 30 days of the plan being developed, or at least 30 days prior to any customer service policy changes.	Wisconsin	Accepted, with clarification ^{ix}	Applicable to Minnesota
100	Operations	Labor agreements honored	The Gas Companies' existing labor agreements will be honored.	Illinois	Accepted	Already Covered by Minnesota Commitments Made by MERC or by Minnesota Law
101	Operations	Labor retentions -- represented employees	For 2 years from the date of closing of the Transaction, any reduction in headcount among employees in Wisconsin who are represented by a labor union will occur only as the result of voluntary attrition or retirement.	Wisconsin	Accepted	Already Covered by Minnesota Commitments Made by MERC or by Minnesota Law
102	Operations	Location of corporate/ holding company headquarters	The headquarters of the post-merger WEC Energy Group and associated jobs will be located in Wisconsin and critical decisions affecting energy policy in Wisconsin will continue to be made in Wisconsin. <i>or</i> WEC Energy headquarters shall remain in Wisconsin, and any future plans to move the locations of the headquarters shall be brought before the Commission for approval.	Wisconsin	First proposed condition accepted; second opposed	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
103	Operations	Location of operational headquarters	WEC Energy shall maintain operational headquarters in the cities of Milwaukee and Green Bay. <i>or</i> Any future plans to move the locations of the operational headquarters shall be brought before the Commission for approval.	Wisconsin	First proposed condition accepted; second opposed	Not Applicable to Minnesota
104	Operations Filings / Notice	Low income programs	WEC shall submit to the Commission for approval any plans to transition any Low Income Programs (LIPs) to a different operating entity or to combine any of the LIPs' operations or offerings, before implementing the plans. <i>or</i> WEC shall notify the Commission of any plans to transition any Low Income Programs (LIPs) to a different operating entity or to combine any of the LIPs' operations or offerings, 60 days before implementing the plans. Such notice should include a cost/benefit analysis of the proposal. <i>or</i> Commission staff shall review the programs in future rate cases, to ensure that the programs continue to produce optimal benefits.	Wisconsin	Third proposed condition accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
105	Operations	Maintain existing programs	The Joint Applicants will maintain the Gas Companies' existing large volume transportation and small volume Choices For You programs in substantially the same form as they exist now for at least two years after the close of the Reorganization.	Illinois	Accepted	Not Applicable to Minnesota
106	Operations Filings / Notice	Merger integration plans	WEC shall submit to the Commission, upon development and prior to implementation its merger integration plans.	Wisconsin	Opposed	Not Applicable to Minnesota
107	Operations	Meter locations	With respect to indoor meters that are associated with pipe to be replaced as part of AMRP, the Joint Applicants agree that the decision process for leaving meters inside, or not centrally located, needs to be based on a common set of expectations that are uniformly applied. Within six months after the close of the Reorganization, the Joint Applicants will develop a new process for Staff review, with standard criteria and approvals, describing when Peoples Gas will allow a meter to stay inside or in a decentralized location. Peoples Gas will implement the new process and, as part of its discussions with Staff, work on developing and implementing refinements to the process.	Illinois	Accepted	Not Applicable to Minnesota
108	Operations	Peoples Gas Share the Warmth program	WEC Energy Group will contribute \$5 million of shareholder money over the next five years to the Peoples Gas Share the Warmth program, with \$1 million being contributed in 2015.	Illinois	Accepted	Open

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
109	Operations	Pipeline Safety Management System	The Joint Applicants shall work with Staff to plan and develop a Pipeline Safety Management System for the Gas Companies during the two years after the close of the Reorganization.	Illinois	Accepted with one clarification	MERC will provide Copy of Completed Report to parties.
110	Operations	Prohibition from guaranteeing obligations of nonutility affiliates	The Gas Companies shall be prohibited from guaranteeing any obligations of their nonutility affiliates.	Illinois	Accepted	Applicable to Minnesota
111	Operations	Review of audit of AMRP	WEC Energy Group will carefully review the results of the Commission's audit of the Peoples Gas AMRP and will ensure that Peoples Gas works to coordinate with the City of Chicago in the execution of the AMRP.	Illinois	Accepted	Not Applicable to Minnesota
112	Operations	Study of capital structure	Peoples Gas and North Shore shall perform a study of appropriate post-merger capital structures similar to those ordered in Docket Nos. 11-0721 and 12-0001. Commonwealth Edison Co., Order, ICC Docket No. 11-0721, 134 (May 29, 2012); Ameren Illinois Co., Order, ICC Docket No. 12-0001, 121 (September 19, 2012). The study, to be performed by the Gas Companies under the guidance of the ICC's Finance Department Manager, should commence no later than six months prior to, and be presented to the Commission in final form at the time of or before, the filing of the Gas Companies' next rate cases.	Illinois	Accepted	Not Applicable to Minnesota
113	Operations	Training facility	The Joint Applicants commit that the Gas Companies will build and establish a new, state-of-the-art training facility in the City of Chicago.	Illinois	Accepted	Not Applicable to Minnesota
114	Operations	Technical training – extend five years	Peoples Gas has agreed to extend for five years from April 2015 its funding of technical training for future gas utility workers at Dawson Technical Institute at a satellite location of the City Colleges of Chicago's Kennedy King College.	Illinois	Accepted	Not Applicable to Minnesota
115	Operations	Termination of the PIPP System Support Resource Agreement	Termination of the PIPP System Support Resource ("SSR") Agreement between the Midcontinent Independent System Operator, Inc. ("MISO") and Wisconsin Electric no later than the closing date of the Proposed Transaction; provided however, that such termination will not prejudice the positions taken by any of the parties in any proceedings regarding the SSR agreements, or the amounts of or allocation of SSR expenses and credits for operations conducted and service provided prior to the closing date of the sale of Wisconsin Electric's Michigan Electric Business.	Michigan	Accepted	Not Applicable to Minnesota
116	Operations	Worker training commitment - Two years	The Gas Companies' existing commitments to worker training will be maintained for two years after the Reorganization closes.	Illinois	Accepted	Open
117	Rates	High Voltage Tariff	Allow high-voltage customers to purchase electric power at retail tariff prices that shadow wholesale power prices to make Wisconsin's industry competitive again.	Wisconsin	Opposed	Not Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
118	Rates	Levelization of WEPCO and WPSC rates	Prohibit subsidization or "levelization" of the rates between WEPCO and WPSC.	Wisconsin	See Item 120 ^x	Not Applicable to Minnesota
119	Rates	Levelization of WEPCO and WPSC rates	Prevent restructuring combined company in any way that would eliminate the independent subsidiary status of the electric utilities, resulting in levelized rates, for five years.	Wisconsin	See Item 120 ^d	Not Applicable to Minnesota
120	Rates	Levelization of WEPCO and WPSC rates	For [5 to 10] years from the consummation of the acquisition, before filing for approval of any legal merger of utilities or "levelization" of rates between utilities, WEC Energy shall work with Commission staff and other affected parties to develop a proposal that is acceptable to the parties.	Wisconsin	Unsettled	Not Applicable to Minnesota
121	Service company	Access to books and records	The Commission shall have full access to the books and records of the service company as provided in Wis. Stat, §§ 196.52 and 196.795(5).	Wisconsin	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
122	Service company	Change in allocations to Wisconsin Operating Companies	If, in the future, WEC Energy and/or any of its subsidiaries are down- sized in any significant way, the absolute cost allocation to WEPCO, WG, and WPSC shall not increase unless the utilities demonstrate that the cost allocation is just and reasonable.	Wisconsin	Opposed	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
123	Service company	Effectiveness of affiliated agreements	The parent holding company or its subsidiaries shall not elect to have the FERC review pursuant to Section 1275 of EPACT 2005, 42 U.S.C. § 16462, the allocation of costs for goods and services provided by the service company, until the Commission has reviewed and taken action on the affiliated interest transactions and agreements associated with the service company of amendments thereto. If the Commission has not completed its review and approval within a reasonable time after the Commission determined an amendment to the service company agreement is complete, the entities may seek such FERC review after giving the Commission 60 days' prior written notice.	Wisconsin	Accepted	Applicable to Minnesota
124	Service company	Independent audit	An independent audit of the service company and its transaction shall be performed within two years after closing, and thereafter every three years. The Commission would select the auditor and have full control over the audit work (scope, supervision, etc.) with the audit product being a Commission product. WEC Energy will be required to provide the Commission a list of all external audit firms the holding company system has contracts with, and would be billed for the audit cost.	Wisconsin	Unsettled	MERC to Provide Copy of Audit Report to Minnesota if an independent audit is ordered by the Wisconsin PSC
125	Service company	Jurisdiction	The Commission shall as a condition of acquisition approval take continuing jurisdiction over the service company structure.	Wisconsin	Accepted	Applicable to Minnesota

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
126	Service company	Performance of services	In its performance of services, the service company: (a) shall follow applicable federal and state regulation, including codes and standards of conduct; (b) shall not give one or more entities in the corporate structure a competitive advantage in relevant markets; (c) shall not subsidize WEPCO, WG and/or WPSC or cause WEPCO, WG and/or WPSC to subsidize an affiliate; and (d) may include a return on its net assets at a rate no higher than the prevailing weighted cost of capital for WEPCO,WG and/or WPSC.	Wisconsin	Unsettled	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
127	Service company	Service limitations	The service company shall be limited to performing services where there are efficiencies and economies of scale that could not be achieved if the services were not performed by the service company.	Wisconsin	Unsettled	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
128	Service company	Third party services	The service company may not provide services to companies that are not part of the holding company system without the Commission's approval. The service company may temporarily provide transition services to an entity that is transferred to a third party. The service company shall apply any earnings as a deduction to the amounts reimbursable by its associated affiliates.	Wisconsin	Unsettled	Not Applicable to Minnesota
129	Synergy savings	Allocation of synergy savings	The Commission shall have approval authority over all allocation methodology and factors. If the allocation methodology and factors ultimately approved by the Commission differ from those approved in other jurisdictions the holding company should absorb any cost differentials.	Wisconsin	Unsettled	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
130	Synergy savings	Bill credits	WG, WEGO, VA Steam and MC Steam shall, as a condition of Commission approval of the acquisition, provide bill credits to all ratepayers either at the time of or shortly after the acquisition is consummated in the following amounts: Wisconsin Gas: \$2,095,000 to \$4,189,000 WEGO: \$1,251,000 to \$2,502,000 VA Steam: \$339,000 to \$679,000 MC Steam: \$251,000 to \$502,000	Wisconsin	Opposed.	Parties disagree as to applicability in Minnesota.

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
131	Synergy savings	Cost analysis -- alternate	The utilities (WEPCO, WG and WPSC), in any proceeding in which recovery, analysis and/or justification of acquisition savings is at issue, shall provide a detailed analysis of transition costs and savings for Commission review and approval. Such analysis would include: (a) an accounting of transition costs incurred by the combined company broken down by function to the extent possible, (b) a calculation of acquisition savings accomplished by the combined company broken down by function to the extent possible, and (c) where costs exceed savings for a particular function, a demonstration that the costs are reasonable and prudent.	Wisconsin	Accepted	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
132	Synergy Savings Filings / Notice	Cost savings from SEC	Peoples Gas and North Shore shall present a detailed study within six months after the close of the Reorganization showing the costs and savings of U.S. Securities Exchange Commission registration compared to remaining unregistered.	Illinois	Accepted	Not Applicable to Minnesota
133	Synergy savings	Tracking transition costs -- alternate	If the Commission decides, instead of requiring bill credits, to freeze rates for a period of time, then for any new deferrals during the rate freeze period, recovery of such deferred amounts should only be allowed to the extent the utility is earning less than its authorized ROE, measured on a regulatory basis.	Wisconsin	Opposed	Parties disagree as to applicability in Minnesota.
134	Synergy savings	Tracking transition costs -- alternate	WEPCO, WG and WPSC shall be required to identify and track all acquisition-related transition costs incurred by the utility and allocated to in a manner that is readily reviewable and auditable by the Commission at a location within Wisconsin.	Wisconsin	Accepted	Applicable to Minnesota
135	Synergy savings	Transition costs recovery	Deny deferral of transition costs.	Wisconsin	Opposed	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
136	Synergy savings	Transition costs recovery	Deny ratemaking recovery of all transition costs. Flow through entirety of all actual savings to WEPCO and WPSC customers. If transition costs are allowed, then recovery should be limited to actual savings; savings in excess of transition costs flowed through 100% to customers. Alternatively, limit recovery of costs to projections as standalone entities for the next five years.	Wisconsin	Unsettled	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
137	Synergy savings	Transition costs recovery	Deny recovery of all investment costs incurred to install new systems or integrate existing systems to operate on a consistent platform or use consistent software after the merger.	Wisconsin	Opposed	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.

Item	Category	Condition	Proposed Language	State	WEC Comments and Conditions in State Proceeding	Applicability to Minnesota
138	Synergy savings	Transition costs recovery -- alternate	WEPCO, WG, and WPSC can recover acquisition-related transition costs from the Wisconsin retail jurisdiction, only if and to the extent such costs are: (a) incurred by or allocated to each of the utilities (each utilities portion or share of acquisition-related transition costs), (b) associated with financial benefits that each utility's ratepayers will receive as a result of the acquisition, and (c) the acquisition-related savings realized by each utility's ratepayers are equal to or greater than its acquisition-related transition costs.	Wisconsin	Accepted, with clarification ^{xii}	As Applicable to Minnesota OAG proposed language: MERC may only request recovery of transition costs to the extent that MERC can prove that the transition costs produce acquisition-related savings that are greater than the transition costs.
139	Synergy savings Filings / Notice	Transition costs -- alternate	For severance and/or early termination costs the Applicant shall provide detailed information in any rate proceeding on each instance of severance and/or early termination – the position, the reasoning, the costs and savings, etc., in sufficient detail for the Commission to make a determination on whether the cost is a transaction cost – unrecoverable or a transition cost.	Wisconsin	Accepted, with clarification ^{xiii}	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
140	Synergy savings	Transition costs -- alternate	Deny recovery or deferral of all involuntary and voluntary severance costs.	Wisconsin	Accepted, with clarification ^{xiv}	Already Covered by Minnesota Commitments made by MERC or by Minnesota law.
141	Synergy savings	Treatment of deferrals	WEC should absorb the balance of WEPCO's transmission deferral account (approximately \$500 million) by the end of 2016 to remove the threat to WEPCO rate payers of rate shock in future years.	Wisconsin	Opposed	Not Applicable to Minnesota
142	Synergy savings	Treatment of deferrals	Permanent write off of WEPCO's transmission escrow costs, thereby excluding these costs from rates.	Wisconsin	Opposed	Not Applicable to Minnesota
143	Synergy savings	Treatment of deferrals	Direct WEPCO to write off all of its "old" transmission deferral of \$114 million, which is approximately \$68 million net of tax.	Wisconsin	Opposed	Not Applicable to Minnesota
144	Synergy savings	Treatment of deferrals	Write off WEPCO and WPSC's transmission escrows.	Wisconsin	Opposed	Not Applicable to Minnesota
145	Synergy savings	WPSC 2016 Test Year Reopener	Synergy savings should be passed on to WPSC electric and gas customers through a limited rate case reopener for the 2016 test year. Items to be included in such limited reopener will be limited to: 1. ReACT; 2. Monitored fuel costs; 3. System Support Resources (SSR) payments; 4. Major power plant outage expenses; and 5. Synergy savings of between \$4.4 and \$8.8 million for electric and between \$1.2 and \$2.4 million for natural gas.	Wisconsin	More analysis needed ^{xv}	Not Applicable to Minnesota

-
- ⁱ See Rebuttal Testimony of Scott Lauber in Support of Application by Wisconsin Energy Corporation (Lauber Rebuttal), at 4.
- ⁱⁱ See Lauber Rebuttal, at 5-6.
- ⁱⁱⁱ See Lauber Rebuttal, at 5-6.
- ^{iv} See Lauber Rebuttal, at 5-6.
- ^v See Lauber Rebuttal, at 5.
- ^{vi} See Lauber Rebuttal, at 8-9.
- ^{vii} See Lauber Rebuttal, at 10.
- ^{viii} “Condition #9” is Item number 98.
- ^{ix} See Lauber Rebuttal, at 11-12.
- ^x See Lauber Rebuttal, at 12-13.
- ^{xi} See Lauber Rebuttal, at 12-13.
- ^{xii} See Lauber Rebuttal, at 16-17.
- ^{xiii} See Lauber Rebuttal, at 18.
- ^{xiv} See Lauber Rebuttal, at 18.
- ^{xv} See Lauber Rebuttal, at 18-19.

Attachment D

Summary of Prefiled Testimony

SUMMARY OF PREFILED TESTIMONY
*In the Matter of the Report of Minnesota Energy Resources Corporation on the
Merger of Wisconsin Energy Corporation and Integrys Energy Group, Inc.*

FERC Testimony

Party: Applicants
Witness: William Hieronymus (Vice President, Charles River Associates)
David Hunger (Vice President, Charles River Associates)
Testimony Filed: Direct

In their [direct testimony](#) (p. 214), Mr. Hieronymus and Dr. Hunger evaluate the potential competitive impact of the merger on relevant electricity markets. Their analysis includes a Competitive Analysis Screen intended to satisfy FERC requirements and comport with Department of Justice and Federal Trade Commission merger guidelines. In their analysis, Hieronymus and Hunger primarily analyze the horizontal market power implications of the merger, i.e., whether the combination of the electric generating assets owned or controlled by WEC and Integrys could create or enhance the Applicants' ability to increase prices in the relevant geographic electricity market (defined as the MISO market). They also analyze the transaction's vertical market power implications, including barriers to entry. Hieronymus and Hunger conclude that the proposed transaction raises no horizontal or vertical market power concerns.

Illinois Testimony

Party: Applicants
Witness: Allen Leverett (President, Wisconsin Energy Corporation)
Testimony Filed: Direct, Rebuttal, Supplemental Rebuttal, Reply, Surrebuttal

Mr. Leverett's [direct testimony](#) (1) provides an overview of Wisconsin Energy, ATC, and the proposed acquisition of Integrys; (2) discusses how the resulting reorganization will impact Peoples Gas, North Shore Gas, and ATC; (3) addresses the commitments WEC is making as part of this reorganization; (4) summarizes the other regulatory approvals that WEC is seeking in connection with the transaction; and (5) summarizes the direct testimony offered by witnesses Lauber, Reed, and Schott.

Mr. Leverett's [rebuttal testimony](#) responds to the direct testimony of Staff witnesses Lounsberry and Smith, Attorney General witnesses Effron and Coppola, and City of Chicago/CUB witnesses Wheat, Weigert, Cheaks, and Gorman. Mr. Lauber agrees to numerous conditions in response to points raised by these witnesses. Mr. Lauber clarifies the applicable statutory standard; describes how the proposed reorganization and the Applicants' plans with respect to the Illinois gas companies are consistent with the requirements of Section 7-204 of the Illinois Public Utilities Act (with

particular reference to subsections (b)(1), (5), (6), and (7)); and explains the Applicants' inability to agree to certain conditions proposed by Staff and Intervenors.

Mr. Leverett's [supplemental rebuttal testimony](#) addresses an interim report concerning an audit of the Peoples Gas Accelerated Main Replacement Program ("AMRP") by the Liberty Consulting Group. Mr. Leverett explains that WEC's management has reviewed this report and that the Applicants are ready, willing, and able to implement the AMRP consistent with Liberty's recommendations. A confidential portion of this testimony further discusses WEC's agreement with several preliminary conclusions of Liberty's report.

Mr. Leverett's [supplemental reply testimony](#) responds to the testimony of City of Chicago/CUB witness Cheaks and Attorney General witness Coppola concerning Liberty's interim audit report. Mr. Leverett corrects certain errors in these witnesses' testimony and reaffirms that WEC generally agrees with the Liberty report and stands ready, willing, and able to implement its recommendations following the closing of the proposed transaction. Mr. Leverett also explains that imposing AMRP conditions in this docket may interfere and/or conflict with the final recommendations to be made by Liberty in its final report.

Mr. Leverett's [surrebuttal testimony](#) responds to the rebuttal testimony of Staff witnesses Hathhorn, Lounsberry, and Smith; Attorney General witnesses Effron and Coppola; and City of Chicago/CUB witnesses Wheat, Weigert, Cheaks, and Gorman. Mr. Leverett (1) further explains how the proposed reorganization and the Applicants' plans with respect to the Illinois gas companies are consistent with the requirements of Section 7-204 of the Illinois Public Utilities Act; (2) agrees to several additional conditions proposed by Staff; and (3) reaffirms the Applicants' inability to agree to certain other conditions proposed by Staff and Intervenors.

Party: Applicants
Witness: Scott Lauber (Vice President and Treasurer, Wisconsin Energy Corp.)
Testimony Filed: Direct, Supplemental Direct, Rebuttal, Surrebuttal

Mr. Lauber's [direct testimony](#) addresses accounting issues associated with the proposed acquisition and reorganization. Mr. Lauber explains (1) WEC's strong credit rating; (2) how the reorganization will not impair the Illinois gas companies' credit ratings or ability to raise capital on reasonable terms; (3) when potential savings from the reorganization can be expected and how such savings will be affected by present commitments regarding rates; and (4) the post-reorganization structure of affiliate agreements affecting the Illinois gas companies and how costs will be properly allocation to ensure that there is no subsidization of one affiliate by another.

Mr. Lauber's [supplemental direct testimony](#) provides additional information specifically requested by Staff concerning the impacts of the financial strength and capital structure of WEC on the Illinois gas companies. Mr. Lauber explains that the Applicants do not expect the reorganization to result in any change to the gas companies' capital structure, credit ratings, cost of capital, or credit facilities. Mr. Lauber also

explains that new “ring fencing” provisions are unnecessary and that any future reductions in the gas companies’ cost of capital will be recognized and flowed through to those companies’ customers via filed rate cases.

Mr. Lauber’s [rebuttal testimony](#) responds to the direct testimony of Staff witnesses Lounsberry, Kahle, Hathhorn, and McNally; City of Chicago/CUB witness Gorman; and Retail Energy Supply Association witness Clark. In response to points raised by these witnesses, Mr. Lauber provides certain commitments and agrees to certain conditions, while explaining why other conditions proposed by these witnesses are unnecessary and/or inappropriate. Significant points include conditions relating to capital expenditures, ring-fencing protections, affiliated interest agreements, transaction and transition costs, push-down accounting, compliance reporting, capital structures, and certain prior commitments.

Mr. Lauber’s [surrebuttal testimony](#) responds to the rebuttal testimony of Staff witnesses Lounsberry, Kahle, Hathhorn, and McNally, and City of Chicago/CUB witness Gorman. Mr. Lauber agrees with or accepts certain recommendations relating to capital commitments, affiliated interest agreements, treatment of transaction and transition costs, a post-merger capital structure study, and a cost-benefit study on SEC registration. Mr. Lauber also explains Applicants’ continued disagreement with certain proposed ring-fencing conditions, while accepting others.

Party: Applicants
Witness: John Reed (CEO, Concentric Energy Advisors, Inc.)
Testimony Filed: Direct, Rebuttal, Surrebuttal

Mr. Reed’s [direct testimony](#) explains that the proposed reorganization is consistent with the current industry context of consolidation within the utility industry, and is based on enhancing the financial strength of the combined company and increasing its diversification. The increased scale and scope of the combined company will create a financially stronger company with greater liquidity and improved access to capital markets. The strong cash flows of WEC Energy Group will allow it to fund investments in energy infrastructure out of its internally generated cash flow. The diversification which will result from bringing together the Companies’ complementary geographies and service territories, customer bases, electric and gas operations, and markets will enable the combined company to better manage and balance its businesses and unlock the opportunity for increased efficiencies over time. The sharing of best practices across the various operating companies, the ability to optimize resources, the sharing of a larger experienced workforce, and the ability to better attract and retain qualified personnel will create operational benefits that will be reflected in the safety, reliability and affordability of service to customers.

Mr. Reed’s testimony further explains that the reorganization does not result in any immediate net savings. Any savings that occur as a result of the reorganization, net of the costs to achieve them, are expected to materialize over the longer-term (e.g., 5 to 10 years after closing). Further, WEC is not seeking recovery of any costs incurred to

accomplish the merger or any portion of the acquisition premium. If synergies or savings are achieved over the longer term, customers of the operating companies will benefit. While there are not immediate rate impacts expected from the merger, the shared services model of the WEC Energy Group will have the effect of eventually reducing administrative costs across the entire merged company, and each operating company's share of these net savings will be reflected in their cost of service in future rate filings. These savings can help delay the need for future rate increases. Therefore, each operating company's customers will benefit from the merger, as savings are unlocked over the longer term.

Finally, Mr. Reed explains that these savings, net of the transition costs necessary to achieve them, will be reflected in customers' rates during normal rate case processes. Research demonstrates that similar mergers were expected to result in savings of 3-5% of non-fuel O&M costs. Mr. Reed concludes his direct testimony by noting that WEC has proposed several commitments which the Commission could adopt as conditions to its approval of the transaction, as discussed more fully in the testimony of Mr. Leverett.

Mr. Reed's [rebuttal testimony](#) explains that the proposed reorganization will neither diminish the utility's ability to provide adequate, reliable, efficient, safe and least-cost public utility service, nor is it likely to result in any adverse rate impacts on retail customers, which are the statutory requirements questioned by Staff. Staff has concluded that the proposed reorganization will not significantly impair the utility's ability to raise necessary capital on reasonable terms and to maintain a reasonable capital structure. That, coupled with the enhanced financial strength of WEC Energy Group and its ability to potentially finance capital expenditures through internal financing rather than going to external capital markets, will enhance the Illinois gas companies' ability to provide safe, adequate, reliable, efficient, least-cost public utility service, and may in fact lead to a reduction in the gas companies' cost of debt. All of this, taken with (1) the fact that WEC Energy Group will have virtually no non-utility affiliates, (2) credit rating agency comments that it is unlikely that WEC will be downgraded due to the acquisition, (3) WEC's commitment for a two-year base rate freeze at the Illinois gas companies after the proposed transaction closes, and (4) the Commission's ability to address base rates thereafter, more than satisfy the statutory requirements.

Mr. Reed explains that there is no need to impose a five-year rate freeze on the Illinois gas companies or to adopt the ring-fencing requirements proposed by CUB in order for this transaction to meet the Commission's standard for approval. In addition, Mr. Reed emphasizes that the Commission should allow recovery of transition costs, including severance costs and merger integration costs such as corporate restructuring costs, relocation costs, and accounting and IT-related integration costs, to the extent those transition costs are incurred to achieve savings after the merger is completed. Finally, Mr. Reed states his opinion that the Applicants have completed the customary due diligence process for this type of transaction. Mr. Reed concludes by reiterating that the proposed reorganization will result in long-term benefits for Illinois ratepayers, as well as for shareholders of both WEC and Integrys. As such, he recommends that the Commission approve the reorganization as proposed.

Mr. Reed's [surrebuttal testimony](#) begins by addressing due diligence, confirming that the due diligence that was performed for the potential merger is typical of what he has seen from other mergers. In particular, the due diligence process included sharing non-public financial information and projections, operational data, capital investment plans, and strategic outlooks between management of the two companies, as well as their financial advisors and outside experts. Mr. Reed's understanding is that as the merger approval processes continue, the Applicants have continued to discuss issues related to integration, including those related to the construction and maintenance initiatives at Integrys.

Mr. Reed next addresses CUB's proposed rate freeze, which he describes as tantamount to imposing additional standards for the approval of the proposed merger. The standards for approval that the Commission should address when reviewing and approving a proposed reorganization do not warrant or require a rate freeze in this case. As the Applicants integrate their management, systems and operations, they expect that savings, net of transition costs to achieve those savings, will be realized over time. These savings will be reflected in future rate proceedings for the benefit of Illinois customers by way of reduced operating expenses or lower capital costs. Imposing a five year rate freeze is unnecessary to meet the established merger standard and is opportunistic and inequitable.

Mr. Reed reiterates that savings that are realized over time, and the transition costs necessary to achieve those savings, will be reflected through future rate cases. CUB seeks to reap the savings associated with the merger, yet put the Joint Applicants at risk for the recovery of the costs incurred to achieve those savings. The Commission will have the opportunity to review the nature and reasonableness of the costs incurred to achieve any savings in those future rate proceedings. Recovery of such transition costs will be capped at the level of savings achieved, although the Applicants expect that savings will significantly exceed the costs to achieve those savings.

Mr. Reed notes that the WEC has committed to identify and track merger synergies and the transition costs necessary to achieve them. WEC will seek recovery of transition costs only to the extent that they are exceeded by acquisition-related savings. By committing to this undertaking, combined company will be able to transparently demonstrate the net benefits of the reorganization and that these benefits are passed on to customers.

Finally, Mr. Reed reminds the Commission that WEC has committed to continue Peoples Gas' Accelerated Main Replacement Program (AMRP). The Illinois gas companies' financial strength and credit metrics may be enhanced because WEC Energy Group's enhanced financial strength will enable the combined company to deploy its internally-generated cash flows to finance the capital investment requirements of the gas companies, especially those relating to the AMRP at Peoples Gas. The ability to finance capital expenditures through internal financing rather than going to external capital markets is a distinct advantage created by the reorganization and can be expected to lead to a stronger set of credit metrics. Simply stated, Mr. Reed concludes, CUB's proposed ring-fencing provisions are not necessary.

Party: Applicants
Witness: James Schott (Executive Vice President and CFO, Integrys)
Testimony Filed: Direct, Rebuttal, Surrebuttal

Mr. Schott's [direct testimony](#) (1) provides an overview of Integrys, including the operations of the Illinois gas companies; (2) discusses how the proposed transactions and reorganization will not diminish the gas companies' ability to provide adequate, reliable, efficient, safe, and least-cost service to their customers; (3) provides an overview of Peoples' Gas AMRP; (4) discusses the gas companies' transportation and retail choice program and how the reorganization will not have any significant adverse effect on these programs or on competition in the Illinois market; and (5) provides five-year forecasts of the capital requirements for the Illinois gas companies.

Mr. Schott's [rebuttal testimony](#) responds to specific recommendations relating to the Illinois gas companies, including recommendations relating to (1) the Peoples Gas Company's Accelerated Main Replacement Program, (2) the Illinois gas companies' energy efficiency programs, and (3) proposed riders concerning employee complements and customer information systems.

Mr. Schott's [surrebuttal testimony](#) responds to testimony and recommendations on the points addressed in his rebuttal testimony. Mr. Schott reiterates the Applicants' position on these points, which is that these additional conditions are unnecessary.

Party: Applicants
Witness: David Giesler (Senior Project Mgr., Integrys Business Support, LLC)
Testimony Filed: Rebuttal, Surrebuttal

Mr. Giesler's [rebuttal testimony](#) responds to recommendations related to Peoples Gas Company's implantation of its Accelerated Main Replacement Program (AMRP). Mr. Giesler (1) addresses PG's action plans for implementing recommendations concerning the AMRP; (2) explains how the AMRP planning process is cost-effective and properly accounts for risk; (3) describes the information the Commission already receives regarding AMRP; and (4) explains why additional reporting requested by the City of Chicago and CUB is unnecessary and may be counterproductive.

Mr. Giesler's [surrebuttal testimony](#) responds to the rebuttal testimony of Attorney General witness Coppola and City of Chicago/CUB witness Cheaks regarding certain aspects of the AMRP. Mr. Giesler reiterates the Applicants' position that changes to the AMRP planning process (as proposed by Mr. Coppola) and additional reporting and monitoring (as proposed by Mr. Cheaks) are unnecessary and inadvisable.

Party: Applicants
Witness: Thomas Webb (Compliance Mgr., Peoples Gas Light & Coke Co.)
Testimony Filed: Rebuttal, Surrebuttal

Mr. Webb's [rebuttal testimony](#) responds to two specific recommendations made by Staff witness Smith: (1) to implement a Pipeline Safety Management System (PSMS) in accordance with the American Petroleum Institute's Recommended Practice 1173; and (2) to move all meters from inside customers' premises to accessible, outdoor locations within ten years. Mr. Webb generally agrees with the first recommendation, subject to qualification, but explains that the second recommendation would be infeasible, costly, and counterproductive.

Mr. Webb's [surrebuttal testimony](#) responds to Staff witness Smith's rebuttal testimony regarding PSMS implementation and relocation of meters. Mr. Webb clarifies the Applicants' willingness to work with the Commission with respect to PSMS, and agrees to develop a mutually agreeable timeline with respect to relocating meters.

Party: Applicants
Witness: Andrew Hesselbach (Project Director, Wisconsin Energy Corp.)
Testimony Filed: Supplemental Rebuttal

Mr. Hesselbach's [supplemental rebuttal testimony](#) supplements the supplemental rebuttal testimony of WEC witness Leverett, explaining WEC's general agreement with additional findings in the interim audit report addressed by Mr. Leverett.

Party: Staff
Witness: Harold Stoller (Director, ICC Safety & Reliability Division)
Testimony Filed: Direct, Rebuttal, Reply

Mr. Stoller's [direct testimony](#) summarizes the direct testimony of other Staff witnesses and summarizes Staff's initial overall recommendation regarding the proposed transaction: that the Applicants should submit additional testimony and evidence on certain points, and that any approval of the transaction should be subject to certain conditions. Mr. Stoller also concludes that the proposed transaction satisfies Section 7-204(b)(5) of the Illinois Public Utilities Act (requiring that current Illinois utilities remain regulated Illinois public utilities following the proposed transaction).

Mr. Stoller's [rebuttal testimony](#) addresses direct testimony by Attorney General witness Coppola regarding the Peoples Gas Accelerated Main Replacement Program (AMRP). Mr. Stoller acknowledges certain problems with the AMRP, but cautions against any extension beyond 2030 of the deadline for the completion of that program. Mr. Stoller also appends an interim report concerning an audit of the AMRP by the Liberty Consulting Group and emphasizes that the relevant question in this proceeding is whether the Applicants are aware of the report and stand ready to implement its recommendations.

Mr. Stoller's [reply testimony](#) addresses supplemental rebuttal testimony filed by Attorney General witness Coppola. Mr. Stoller disputes Mr. Coppola's claim that there is some significance to the Liberty report's silence as to the AMRP completion date.

Party: Staff
Witness: Eric Lounsberry (ICC SRDIV, Energy Engineering Program)
Testimony Filed: Direct, Rebuttal

Mr. Lounsberry's [direct testimony](#) addresses whether the proposed reorganization meets the requirements of Section 7-204(b)(1) of the Public Utilities Act (requiring that the proposed reorganization "will not diminish the utility's ability to provide adequate, reliable, efficient, safe, and least-cost public utility service"). To that end, Mr. Lounsberry proposes four commitments and four recommendations. Mr. Lounsberry's proposed commitments and one of his four recommendations all relate to Peoples Gas' Accelerated Main Replacement Program (AMRP). Mr. Lounsberry's remaining recommendations relate to employment levels at the Illinois gas utilities and Integrys Business Support Group, capital addition investment levels at the gas utilities, and a reporting condition under an order authorizing a prior Integrys merger. Mr. Lounsberry also reviews aspects of the Applicants' pre-filed testimony pertinent to his subject, and discusses the Applicants' due diligence efforts in connection with the proposed transaction.

Mr. Lounsberry's [rebuttal testimony](#) addresses rebuttal testimony filed by the Applicants. Mr. Lounsberry treats certain conditions as resolved, modifies or adds other conditions, and reiterates the necessity of other conditions as previously proposed. The remaining unresolved issues relate primarily to the AMRP completion date, employment levels at the Illinois gas utilities and Integrys Business Support Group, and capital investment levels at the gas utilities. Mr. Lounsberry also reports that the parties' filings have resolved his previous due diligence concerns.

Party: Staff
Witness: Matthew Smith (ICC SRDIV, Pipeline Safety Program)
Testimony Filed: Direct, Rebuttal

Mr. Smith's [direct testimony](#) addresses two gas pipeline safety initiatives which he recommends the Commission adopt as conditions for approval of the reorganization. The first recommendation concerns a Pipeline Safety Management System (PSMS) to be implemented by Peoples Gas. The second concerns the relocation of all inside meters to accessible locations outside of customer premises. Mr. Smith addresses the Commission's authority to order such conditions and the history of the issues his conditions are intended to address.

Mr. Smith's [rebuttal testimony](#) further elaborates on his position regarding PSMS implementation and meter relocation, and includes a response to Applicants' witness Webb. While addressing Mr. Webb's concerns and clarifying certain points of his own proposal, Mr. Smith reiterates that both of his proposed conditions are necessary.

Party: Staff
Witness: David Sackett (ICC Policy Division, Economics Program)
Testimony Filed: Direct

Mr. Sackett's [direct testimony](#) addresses whether the proposed reorganization meets the requirements of Section 7-204(b)(6) of the Public Utilities Act (requiring that the proposed reorganization "is not likely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction"). Mr. Sackett concludes that the proposed reorganization meets this requirement, and recommends that the Commission find as such.

Party: Staff
Witness: Dan Kahle (ICC Financial Analysis Division, Accounting Dept.)
Testimony Filed: Direct, Rebuttal

Mr. Kahle's [direct testimony](#) addresses whether the proposed reorganization meets the requirements of Section 7-204(c) of the Public Utilities Act (requiring that any approval address (i) the allocation of any savings resulting from the proposed reorganization and (ii) whether the companies should be allowed to recover any costs incurred in accomplishing the proposed reorganization). Mr. Kahle concludes that in light of the Applicants' commitments regarding transaction costs and ratepayers' ability to recover savings through future rate proceedings, the proposed reorganization meets this requirement. Mr. Kahle also agrees with the Applicants' proposed accounting treatment of the transaction, with particular reference to push-down accounting.

Mr. Kahle's [rebuttal testimony](#) recaps his direct testimony and notes his proposal that the Applicants' commitments (merger savings will flow through to ratepayers, no utility recovery of transaction costs, and utility recovery of transition costs to the extent they produce savings) be made conditions of merger approval. Mr. Kahle reports that the Applicants agreed to these conditions in their own rebuttal testimony, and further reports that subsequent SEC action has rendered his discussion of push-down accounting moot.

Party: Staff
Witness: Dianna Hathhorn (ICC Financial Analysis Div., Accounting Dept.)
Testimony Filed: Direct, Rebuttal

Ms. Hathhorn's [direct testimony](#) addresses whether the proposed reorganization meets the requirements of Section 7-204(b)(2) of the Public Utilities Act (requiring that the proposed reorganization "will not result in the unjustified subsidization of non-utility activities by the utility or its customers") and Section 7-204(b)(3) of the Act (relating to the allocation of costs and facilities between utility and non-utility activities). Ms. Hathhorn proposes a plan to enable the Commission to make these findings, and to that end proposes five conditions. Ms. Hathhorn's plan and proposed conditions all relate to affiliated interest agreements and transactions, or periodic reporting with respect to the same.

Ms. Hathhorn's [rebuttal testimony](#) reports that the Applicants agree with the plan and conditions she proposed in her direct testimony. Subject to this agreement, Ms. Hathhorn recommends that the Commission find that the proposed reorganization satisfies Sections 7-204(b)(2) and (3) of the Act. Ms. Hathhorn further proposes that the Applicants provide a comprehensive listing of all commitments and conditions to which they have agreed in this proceeding. Finally, Ms. Hathhorn notes that Staff disagrees with the two riders proposed by Attorney General witness Effron.

Party: Staff
Witness: Michael McNally (ICC Financial Analysis Division, Finance Dept.)
Testimony Filed: Direct, Rebuttal

Mr. McNally's [direct testimony](#) addresses whether the proposed reorganization meets the requirements of Section 7-204(b)(4) of the Public Utilities Act (requiring that the proposed reorganization "will not significantly impair the utility's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure") and Section 7-204(b)(7) of the Act (requiring that the proposed reorganization "is not likely to result in any adverse rate impacts on retail customers"). Mr. McNally concludes that the proposed reorganization satisfies the first requirement, and proposes several conditions so that the transaction will satisfy the second requirement. Mr. McNally's proposed ring-fencing conditions concern separate credit facilities, lending to and guaranteeing obligations of non-utility affiliates, changes to proportional levels of non-regulated operations and indebtedness, and SEC registration. Finally, Mr. McNally presents an evaluation and recommendation regarding the Illinois gas companies' post-merger capital structure as it relates to Sections 6-103 and 9-230 of the Act.

Mr. McNally's [rebuttal testimony](#) responds to the rebuttal testimony of Applicant witness Mr. Lauber, which argued that Mr. McNally's proposed conditions were based on hypothetical and speculative scenarios. Mr. McNally treats certain conditions as resolved, modifies or adds other conditions, and reiterates the necessity of other conditions as previously proposed. The remaining unresolved issues relate primarily to reporting triggered by changes to proportional levels of non-regulated operations and indebtedness, SEC registration, and the Illinois gas companies' post-merger capital structure. Mr. McNally also addresses a dividend restriction proposed by City of Chicago/CUB witness Gorman. While neither favoring nor opposing this proposal, Mr. McNally proposes a related condition requiring the Applicants to file certain credit agency rating reports.

Party: Staff
Witness: Alicia Allen (ICC Financial Analysis Division, Rates Dept.)
Testimony Filed: Rebuttal

Ms. Allen's [rebuttal testimony](#) responds to the direct testimony of City of Chicago/CUB witnesses Wheat and Weigert. Ms. Allen recommends the Commission reject these witnesses' proposal to cap the Illinois gas utilities' fixed customer charges during the period of any rate freeze ordered by the Commission.

Party: Intervenors -- Local 18007, Utility Workers of America, AFL-CIO
Witness: Richard Passarelli (Business Manager, Local 18007)
Testimony Filed: Direct

Mr. Passarelli's [direct testimony](#) is offered on behalf of the union representing the employees of the Peoples Gas, Light and Coke Company in Chicago. Mr. Passarelli addresses the importance of avoiding workforce reductions and describes WEC's voluntary commitments to that end. In light of these commitments, Mr. Passarelli testifies that Local 18007 supports the proposed reorganization.

Party: Intervenors -- City of Chicago/CUB
Witness: Christopher Wheat (Deputy Dir., Mayor's Innovation Delivery Team)
Testimony Filed: Direct, Rebuttal

Mr. Wheat's [direct testimony](#) proposes a number of reorganization conditions advocated by CUB and the City of Chicago. These conditions relate to (1) WEC Energy Group board membership; (2) employment and training; and (3) direct shareholder payments to low-income rate assistance programs. Mr. Wheat also anticipates additional testimony regarding finance-related issues, including (4) the Applicants' proposed rate freeze; (5) the Illinois gas utilities' revenue recovery; (6) acquisition debt; and (7) recovery of transaction costs from Illinois ratepayers.

Mr. Wheat's [rebuttal testimony](#) reiterates the necessity of all of the conditions proposed in his direct testimony. Mr. Wheat notes that the Applicants have agreed to some of these conditions, and responds to rebuttal testimony declining the others.

Party: Intervenors -- City of Chicago/CUB
Witness: Karen Weigert (Chief Sustainability Officer, City of Chicago)
Testimony Filed: Direct, Rebuttal

Ms. Weigert's [direct testimony](#) proposes a number of additional reorganization conditions advocated by CUB and the City of Chicago. These conditions relate to (1) additional funding for gas efficiency programming without rate recovery; (2) a cap on fixed charges for natural gas delivery services for the length of any rate freeze; (3) a cost-benefit analysis of implementing third party efficiency programming; (4) the creation of an electronically accessible energy use database for aggregated, building-level energy use; (5) the creation of an updatable database of actual usage patterns for all gas ratepayers; and (6) expansions to On Bill Financing programs.

Ms. Weigert's [rebuttal testimony](#) reiterates the necessity of all of the conditions proposed in her direct testimony. Ms. Weigert responds to rebuttal testimony arguing that (1) these conditions need not be addressed in this proceeding; (2) these conditions conflict with existing law on energy efficiency; and (3) existing energy efficiency programming is sufficient to protect the interests of Illinois ratepayers. Ms. Weigert also responds to rebuttal testimony specifically addressing each of her proposed conditions.

Party: Intervenors -- City of Chicago/CUB
Witness: William Cheaks, Jr. (Deputy Commissioner, CDOT DOIM)
Testimony Filed: Direct, Rebuttal, Supplemental Rebuttal, Reply

Mr. Cheaks' [direct testimony](#) is devoted to the Peoples Gas Accelerated Main Replacement Program ("AMRP"). Mr. Cheaks addresses whether the Applicants' commitments on this issue are sufficient or whether additional Commission oversight of the AMRP is needed to protect the interests of Peoples Gas customers in Chicago. In this regard, Mr. Cheaks proposes several conditions, including (1) weekly AMRP planning and oversight of the same by both the Commission and the Chicago Department of Transportation ("CDOT"); (2) direct CDOT oversight of all Field Order Authorizations and Change Orders; (3) active participation in CDOT's dotMaps website; (4) mandatory improvement benchmarks for Peoples Gas, with financial penalties for any failures; and (5) local training for all AMRP work. Mr. Cheaks also offers factual evidence which he believes supports his proposed conditions.

Mr. Cheaks' [rebuttal testimony](#) reiterates the necessity of all of the conditions proposed in his direct testimony, with clarifications to the wording of certain conditions. Mr. Cheaks responds to rebuttal testimony regarding his proposed conditions, with particular attention to Integrys' role and involvement in the AMRP; the statutory standard for reorganization approval; certain commitments by the Applicants with respect to employee training; and a number of additional AMRP-specific points.

Mr. Cheaks' [supplemental rebuttal testimony](#) addresses an interim report on an audit of the AMRP by the Liberty Consulting Group. Mr. Cheaks argues that this report supports his proposed conditions, and addresses certain portions of the report in detail.

Mr. Cheaks' [reply testimony](#) addresses the Applicants' response to and commitments in light of the Liberty report, concluding that these are still insufficient.

Party: Intervenors -- City of Chicago/CUB
Witness: Michael Gorman (Managing Principal, Brubaker & Assocs., Inc.)
Testimony Filed: Direct, Rebuttal

Mr. Gorman's [direct testimony](#) proposes a "customer benefits" standard for merger approval. Under this standard, he argues that any acquisition premium paid to Integrys in the proposed transaction is the result of regulatory stabilization of its utilities' revenues, and therefore should translate into direct benefits for ratepayers. To capture this benefit, Mr. Gorman proposes a five-year rate freeze for customers of the Illinois gas utilities. He also proposes additional conditions relating to the categorization of certain costs as non-recoverable transaction costs, ring-fencing provisions, and enforcement mechanisms for benefits the Applicants had already committed to provide.

Mr. Gorman's [rebuttal testimony](#) responds to certain arguments raised in the rebuttal testimony of Applicant witnesses Leverett, Lauber, and Reed. Specifically, Mr. Gorman addresses his proposals for (1) a five-year rate freeze; (2) a prohibition on

transition cost recovery in retail rates; and (3) a dividend payment restriction. Mr. Gorman maintains that these conditions are necessary, with the clarification that transition costs should be recoverable in rates to the extent the Applicants can show that these costs produced corresponding savings.

Party: Intervenors -- Attorney General
Witness: David Effron (Freelance Consultant)
Testimony Filed: Direct, Rebuttal

Mr. Effron's [direct testimony](#) addresses three commitments made by the Applicants in connection with the reorganization. These commitments relate to (1) the treatment of the acquisition premium that will be booked as a result of the merger; (2) the minimum number of employees to be maintained in Illinois; and (3) the Illinois gas companies' rates subsequent to the merger. Mr. Effron considers the extent to which these commitments benefit customers, and proposes additional conditions intended to amplify these benefits. With respect to the third commitment, Mr. Effron also devotes a portion of his testimony to the Integrys Customer Experience ("ICE") project and the timeline for realizing the costs and benefits of that project.

Mr. Effron's [rebuttal testimony](#) responds to the rebuttal testimony of Applicant witnesses Leverett and Schott. Mr. Effron reiterates the necessity of each of these conditions, with particular attention to the conditions relating to minimum employee headcounts (including the argument that this proposal violates proscriptions against single issue and retroactive ratemaking) and the parameters of the ICE project (including apparent inconsistencies in this proposal).

Party: Intervenors -- Attorney General
Witness: Sebastian Coppola (Vice President, Corporate Analytics, Inc.)
Testimony Filed: Direct, Rebuttal, Supplemental Rebuttal, Supplemental Rebuttal

Mr. Coppola's [direct testimony](#), like Mr. Cheaks' direct testimony for CUB and the City of Chicago, is devoted to the Peoples Gas Accelerated Main Replacement Program ("AMRP"), with particular reference to whether the AMRP can continue to proceed on its current course. After discussing the history of the AMRP, its performance, and its effect on customer bills, Mr. Coppola proposes a number of conditions relating to the AMRP. These proposed conditions include (1) a risk-oriented evaluation and restructuring of the AMRP; (2) an annual reporting requirement regarding AMRP investments; (3) the creation of annual, detailed work plans, fulfilling numerous criteria, for the remainder of the AMRP; and (4) a direct credit to Chicago ratepayers.

Mr. Coppola's [rebuttal testimony](#) responds to rebuttal testimony offered by Applicant witnesses Leverett, Schott, Reed, and Giesler; direct testimony filed by Staff witness Lounsberry; and direct testimony filed by City of Chicago/CUB witness Cheaks. In response to Messrs. Leverett, Schott, and Reed, Mr. Coppola addresses the adequacy of the Applicants' current commitments with respect to the AMRP in light of additional evidence and new audit recommendations bearing on the same; the Illinois gas utilities'

recovery in rates of certain fines and penalties assessed by the City; and the Applicants' due diligence efforts with respect to AMRP. In response to Mr. Giesler, Mr. Coppola addresses the cost-effectiveness of his proposed risk-oriented approach; other potential improvements to AMRP; and the argument that these concerns should be addressed in another docket. In response to Mr. Lounsberry, Mr. Coppola reiterates that a completion date of 2030 is not essential to AMRP. Mr. Coppola finds Mr. Cheaks' testimony consistent with his own, and urges the Commission to take note of both.

Mr. Coppola's [first supplemental rebuttal testimony](#) addresses an interim report on an audit of the AMRP by the Liberty Consulting Group. Mr. Coppola argues that this report supports his proposed conditions, and highlights certain portions for discussion.

Mr. Coppola's [second supplemental rebuttal testimony](#) addresses the Applicants' commitments in light of the Liberty report, concluding these are still insufficient.

Party: Intervenor -- Retail Energy Supply Association (RESA)
Witness: Joseph Clark (Senior Mgr., Govt. & Reg. Affairs, Direct Energy, LP)
Testimony Filed: Direct

Mr. Clark's [direct testimony](#) focuses on certain programs currently offered by the Illinois gas utilities, namely the Large Volume Transport ("LVT") and Choices For You ("Choices") program. Mr. Clark explains RESA's concern that the elimination of these programs following the proposed reorganization could adversely impact competition in Integrys' current market area. Mr. Clark proposes that the combined entity be required to maintain and improve these programs, and further proposes a number of minor conditions relating to these programs.

Michigan Testimony

Party: Applicants
Witness: Scott Lauber (Vice President and Treasurer, Wisconsin Energy Corp.)
Testimony Filed: Direct, Supplemental Direct

Mr. Lauber's [direct testimony](#) (p. 28) provides required financial and other information regarding the proposed merger. His testimony also provides information in support of the request for waivers of, and/or determinations regarding, various provisions of the MPSC's Code of Conduct and affiliate transaction guidelines as applicable to two of the affiliated interest agreements to be entered into after closing. This testimony is divided into seven sections: I (introductory remarks), II (description of WEC), III (description of the proposed transaction), IV (impact of transaction on rates and service in Michigan), V (discussion of how transaction satisfies MCL 460.6q), VI (additional information and documents required by MPSC's Rules Governing Mergers and Acquisitions), and VII (information supporting the request for waivers of, and/or determinations regarding, various provisions of the MPSC's Code of Conduct and affiliate transaction guidelines as applicable to two of the affiliated interest agreements to be entered into after closing).

Mr. Lauber's [supplemental direct testimony](#) provides additional financial information in support of the application, including *pro forma* financial statements that were referenced in his initial direct testimony and became available only after the filing of the application and direct testimony.

Party: Applicants
Witness: James Schott (Executive Vice President and CFO, Integrys)
Testimony Filed: Direct

Mr. Schott's [direct testimony](#) (p. 274) provides additional support for MPSC approval of the proposed transaction, with particular reference to how the transaction satisfies MCL 460.6q. Specifically, Mr. Schott explains the current Integrys corporate organizational structures; discusses why the transfer of control of WPS Corp. and MGUC from Integrys to WEC should be approved; and identifies certain key aspects of the merger agreement which support approval of the transfer of control.

Party: Applicants
Witness: John Reed (CEO, Concentric Energy Advisors, Inc.)
Testimony Filed: Direct

Mr. Reed's [direct testimony](#) (p. 327) addresses how WEC's proposed acquisition of Integrys is in the best interests of utility customers, investors, and the public. In particular, Mr. Reed's testimony covers three primary areas: (1) recent industry trends and economic and financial market conditions that have driven consolidation within the utility industry, the key drivers of that consolidation, and how the proposed transaction is consistent with that current market context; (2) the expected benefits of the proposed transaction to the customers and investors of WEC and Integrys; and (3) why the proposed transaction should be approved by the Michigan Public Service Commission as proposed.

Mr. Reed's Michigan testimony is similar to his pre-filed direct testimony in the Illinois proceeding, which is summarized at greater length above.

Party: Intervenors -- Cloverland Electric Cooperative
Witness: Stephen Miller (Section Manager, Commonwealth Assocs., Inc.)
Testimony Filed: Direct

Mr. Miller's [direct testimony](#) (p. 2) addresses his review of the Applicants' pre-filed direct case with respect to potential service impacts of the proposed transaction. Specifically, Mr. Miller addresses (1) the impact of the proposed merger on generation location decisions; (2) the impact of the proposed merger on the ownership and control of American Transmission Company (ATC) and the ramifications for transmission and generation in Michigan; (3) whether the merger will allow WEC to more effectively represent Michigan in energy policy debates; and (4) the proposed settlement agreement in the Michigan proceeding.

Party: Intervenors -- Cloverland Electric Cooperative
Witness: Dan Dasho (President & CEO, Cloverland Electric Cooperative)
Testimony Filed: Direct

Mr. Dasho's [direct testimony](#) (p. 86) further discusses the proposed settlement agreement in the Michigan proceeding. Mr. Dasho states his understanding of the settlement agreement, offers his general impression regarding the settlement agreement, and describes Cloverland's concerns with the settlement agreement. Mr. Dasho then proposes certain changes to the settlement agreement in light of these concerns.

Wisconsin Testimony

Party: Applicants
Witness: Scott Lauber (Vice President and Treasurer, Wisconsin Energy Corp.)
Testimony Filed: Direct, Supplemental Direct, Rebuttal, Surrebuttal

Mr. Lauber's [direct testimony](#) provides background information and an overview of the proposed transaction, describing the reasons for the transaction from WEC's perspective. Mr. Lauber's testimony also touches on the expected benefits of the transaction for customers and the public, while leaving a more detailed explanation of these points to Mr. Reed. Mr. Lauber discusses the impact of the transaction on WEC's and Integrys's common stockholders, reviews the regulatory approvals required in order to complete the transaction, and agrees in advance to certain conditions of approval. Finally, Mr. Lauber addresses the accounting and tax treatment of the transaction.

Mr. Lauber's [supplemental direct testimony](#) addresses a proposed transaction whereby WEC would sell certain assets in the Upper Peninsula of Michigan to the Upper Peninsula Power Company (UPPCO) (the "Michigan Asset Transaction"). The Michigan Asset Transaction will be the subject of a separate docket. Here, Mr. Lauber's testimony provides the background for that transaction and discusses its impact on the transaction at issue in this docket. Mr. Lauber then responds to a series of questions from Staff regarding the Michigan Asset Transaction and related agreements.

Mr. Lauber's [rebuttal testimony](#) sponsors an exhibit (Ex.-WEC-Lauber-4) which lists each of the 93 conditions proposed by Staff and Intervenors and summarizes WEC's response to each proposed condition. Mr. Lauber explains that WEC is amenable to roughly half of these conditions as written or with slight clarification. Mr. Lauber then addresses certain conditions in the areas of accounting and finance which WEC opposes or wishes to clarify. The conditions addressed by Mr. Lauber relate to push-down accounting, transaction and transition cost recovery, affiliate transactions, dividend restrictions, earnings caps, credit ratings and debt portfolios, money pools and guarantees, and allocation methodology. Mr. Lauber also addresses conditions relating to customer service, corporate headquarters, low income programs, an affiliated service company, and a rate case reopener.

Mr. Lauber's [surrebuttal testimony](#) sponsors an exhibit (Ex.-WEC-Lauber-10) which updates the status of each of the 95 conditions proposed by Staff and intervenors. Mr. Lauber identifies the items on which the parties have reached full, unequivocal agreement, and identifies additional items which WEC opposed or clarified and to which the proposing party did not respond further. Mr. Lauber then addresses several specific conditions which WEC still opposes, relating to the acquisition premium, transaction and transition costs, dividend restrictions, earnings caps, increased borrowing costs, utility credit ratings, holding company debt, rate levelization, service company issues, and affiliated interest agreements.

Party: Applicants
Witness: John Reed (CEO, Concentric Energy Advisors, Inc.)
Testimony Filed: Direct, Rebuttal, Surrebuttal

Mr. Reed's [direct testimony](#) addresses how WEC's proposed acquisition of Integrys is in the best interests of utility customers, investors, and the public. In particular, Mr. Reed's testimony covers three primary areas: (1) recent industry trends and economic and financial market conditions that have driven consolidation within the utility industry, the key drivers of that consolidation, and how the proposed transaction is consistent with that current market context; (2) the expected benefits of the proposed transaction to the customers and investors of WEC and Integrys; and (3) why the proposed transaction should be approved by the Michigan Public Service Commission as proposed. This testimony is similar to Mr. Reed's pre-filed direct testimony in the Illinois proceeding, which is summarized at greater length above.

Mr. Reed's [rebuttal testimony](#) reiterates that the proposed transaction is in the best interests of customers, investors and the public. The financial strength, operational expertise and local and regional commitment of the combined company will create benefits now and for the long-term. Intervenors' attempts to burden this transaction with conditions, commitments and concessions both jeopardizes the many benefits of the transaction and would, if adopted, represent a major step backwards for the utility industry as a whole in Wisconsin and the Commission's standing as a regulator that is supportive of the traditional regulatory compact and its protections for both customers and investors. WEC has embraced approximately 50 conditions to the transaction to provide clear assurances that customers will benefit from the merger. WEC has clearly met the standard of approval and the merger should be approved.

Mr. Reed notes that Staff and intervenors have criticized WEC's estimate of merger synergies, suggesting that a more specific study is necessary and proposing a series of conditions regarding the rate treatment of merger synergies and transition costs. Mr. Reed responds that a more specific synergy study is not necessary to establish that the proposed transaction is in the best interests of customers, investors and the public. It is not at all unprecedented to review and approve a merger without a detailed synergy study. WEC has been clear that the proposed merger is not based on immediate cost savings and that future savings, net of the transition costs to achieve those savings, will benefit customers.

Mr. Reed also responds to Staff testimony suggesting that he “cherry picked” the mergers he chose to analyze, and that the proposed merger is unusual. Mr. Reed explains that is not the case. The industry context for the proposed merger is clear. The industry is consolidating, and mergers driven by strategic benefits are an important part of that consolidation. The mergers Mr. Reed relied upon in his analysis are representative of the merger of WEC and Integrys. The merger savings analysis he provided in my direct testimony is a reasonable proxy for the savings WEC might expect.

Finally, Mr. Reed reminds the Commission that WEC has committed to identify and track merger synergies and the transition costs necessary to achieve them. WEC will seek recovery of transition costs only to the extent that they are exceeded by acquisition-related savings. By committing to this undertaking, the combined company will be able to transparently demonstrate the net benefits of the proposed transaction and that these benefits are passed on to customers.

Mr. Reed’s [surrebuttal testimony](#) responds to rebuttal testimony regarding (1) Wisconsin’s merger approval standard and how the proposed merger satisfies that standard; (2) the benefits, costs, and purported risks of the proposed transaction; (3) the financial strength of WEC Energy Group; and (4) tracking merger savings and transition costs and providing for their future ratemaking treatment. Mr. Reed emphasizes that neither Staff nor any of the intervenors have demonstrated with evidence any downside to the proposed transaction, and that any resulting benefits will flow through to ratepayers.

Party: Applicants
Witness: James Schott (Executive Vice President and CFO, Integrys)
Testimony Filed: Direct

Mr. Schott’s [direct testimony](#) covers two topics. First, Mr. Schott describes Integrys’ corporate structure and how it will be affected by the proposed transaction. Second, he explains why Integrys’ management believe the proposed merger will be beneficial for Integrys customers, employees, shareholders, and the public.

Party: Applicants
Witness: David Hunger (Vice President, Charles River Associates)
Testimony Filed: Rebuttal

Dr. Hunger’s [rebuttal testimony](#) essentially summarizes his detailed analysis in the parallel FERC proceeding regarding the market power implications of the proposed transaction. Dr. Hunger concludes that the relevant market to be considered is the market for wholesale energy in MISO, and that the proposed transaction has no adverse implications for market power in that market.

Party: Applicants
Witness: Allen Leverett (President, Wisconsin Energy Corporation)
Testimony Filed: Rebuttal, Surrebuttal

Mr. Leverett's [rebuttal testimony](#) refers to the chart of proposed conditions introduced in Mr. Lauber's rebuttal testimony. Mr. Leverett addresses additional conditions which WEC opposes or wishes to clarify. In particular, Mr. Leverett addresses conditions relating to ATC ownership and voting rights, "most favored nation" status for Wisconsin, integrated resource planning, employee headcount, escrow balances, and rate design.

Mr. Leverett's [surrebuttal testimony](#) responds to new information contained in rebuttal testimony concerning (1) proposed conditions on ATC ownership and voting rights; (2) "most favored nation" status for Wisconsin; (3) integrated resource planning and proposed conditions related to Wisconsin Public Service Corporation's proposal to add a third unit at its Fox Energy Center; (4) the various proposals that WEC write off all or a portion of its transmission escrow balance or take other steps to deliver immediate monetary benefits to customers as a condition of approval; (5) proposed conditions that either exceed the Commission's authority under Wisconsin law or have been rejected in recent rate cases; and (6) the treatment of certain asset sales losses as transaction costs.

Party: Staff
Witness: Jodee Bartels (Auditor, Gas & Energy Division ("GEDIV"))
Testimony Filed: Direct, Rebuttal, Sur-surrebuttal

Ms. Bartels' [direct testimony](#) discusses transaction and transition costs, including conditions applicable to transition costs. Ms. Bartels also discusses synergy savings and issues related to holding company and service company structure/operations, including conditions applicable to the new service company structure and operations.

Ms. Bartels' [rebuttal testimony](#) responds to the testimony of WEC witnesses Lauber and Reed. Regarding Lauber's testimony, Ms. Bartels clarifies numerous proposed conditions (numbers 14, 17, 52, 70, 72, 74, 75, 76, 77, and 79). Regarding Reed's testimony, Ms. Bartels discusses (1) Wisconsin's merger approval standard, (2) synergy savings, and (3) reporting of transaction costs. Finally, Ms. Bartels comments on the Michigan settlement and suggests additional conditions concerning related costs.

Ms. Bartels' [sur-surrebuttal testimony](#) once again addresses her understanding of Wisconsin's merger approval standard and reiterates points relating to several of her proposed conditions (17, 52, 70, 75, 76, 77, and 87).

Party: Staff
Witness: Kenneth Detmer (Advanced Engineer, GEDIV)
Testimony Filed: Direct, Rebuttal

Mr. Detmer's [direct testimony](#) describes an analysis whereby he calculated that the transaction could generate upwards of \$600 million for long term resource planning based on the combined companies' larger generation portfolio. Mr. Detmer also proposes a condition requiring the utilities to submit a joint integrated resource plan (IRP) that analyzes various generating alternatives.

Mr. Detmer's [rebuttal testimony](#) discusses the projected savings addressed in his prior testimony, particularly as the savings relate to joint planning, Fox 3, and affiliated interest agreements. Mr. Detmer also discusses conditions regarding joint planning, least-cost solutions, legal relationship between the utilities, and CPCN alternative analyses.

Party: Staff
Witness: Lois Hubert (Chief Public Utility Financial Analyst, GEDIV)
Testimony Filed: Direct, Rebuttal, Sur-surrebuttal

Ms. Hubert's [direct testimony](#) discusses the "best interests" analysis and applies that analysis to WEC's submissions. Ms. Hubert addresses and responds to various benefits cited by WEC (access to capital, liquidity, regional/community economic development, diversified generation portfolio, investment in infrastructure, funding investments without new equity, continued growth, jobs, cost savings, public benefits, investor benefits). Ms. Hubert proposes several conditions, most notably regarding (1) ring-fencing; (2) levelization of WEPCO and WPSO rates; (3) a rate case reopener based on determinations in other jurisdictions; and (4) ATC voting rights. A full list of proposed conditions is in Schedule 1 of Ex.-PSC-Hubert-1.

Ms. Hubert's [rebuttal testimony](#) focuses on proposed conditions, including conditions regarding (1) WEC's control over ATC; (2) ring-fencing; (3) dividends; (4) the location of operational headquarters; and (5) rate levelization. Ms. Hubert also discusses/clarifies other proposed conditions, particularly numbers 38, 42 (capital costs related to holding company downgrade), 43, 44, and 46 (annual reports).

Ms. Hubert's [sur-surrebuttal testimony](#) further addresses credit ratings, certain ring-fencing conditions, and others of her proposed conditions.

Party: Staff
Witness: Mary Kettle (Auditor, GEDIV)
Testimony Filed: Direct, Rebuttal

Ms. Kettle's [direct testimony](#) discusses the transmission escrow account and carrying costs on remaining deferred costs.

Ms. Kettle's [rebuttal testimony](#) discusses the transmission escrow account and calculation of regulatory earnings. Ms. Kettle proposes alternative conditions regarding the transmission escrow account.

Party: Staff
Witness: Christopher Larson (Public Utility Auditor - Principal, GEDIV)
Testimony Filed: Direct, Rebuttal, Sur-surrebuttal

Mr. Larson's [direct testimony](#) addresses several conditions described in Mr. O'Donnell's testimony (bill credits, social credits, write-offs, and rate freeze), as well as Mr. O'Donnell's proposal regarding non-fuel O&M expenses. Mr. Larson also discusses (1) Mr. Larson's proposed conditions, (2) synergy savings, and (3) push-down accounting.

Mr. Larson's [rebuttal testimony](#) addresses (1) bill credits, (2) push-down accounting, and (3) short-term versus long-term savings. Mr. Larson proposes a modification to a condition regarding push-down accounting.

Mr. Larson's [sur-surrebuttal testimony](#) offers additional comments regarding his proposal for a limited rate case reopener.

Party: Staff
Witness: Kristy Nieto (Consumer Affairs Policy Analyst, Division of Water, Compliance & Consumer Affairs)
Testimony Filed: Direct

Ms. Nieto's [direct testimony](#) discusses and proposes conditions regarding (1) customer service, (2) utility low income programs, (3) gas emergency response, (4) investments in customer service software, and (5) charitable donations.

Party: Staff
Witness: Kevin O'Donnell (President, Nova Energy Consultants)
Testimony Filed: Direct, Rebuttal

Mr. O'Donnell's [direct testimony](#) discusses merger/acquisition review standards, including the definition of public interest. Mr. O'Donnell addresses various benefits cited by WEC. Mr. O'Donnell also addresses past mergers across the United States and proposes a condition with respect to non-fuel/non-purchased power O&M expenses. Finally, Mr. O'Donnell discusses creditworthiness.

Mr. O'Donnell's [rebuttal testimony](#) addresses Wisconsin's merger approval standards, merger synergies, and credit ratings. Mr. O'Donnell also discusses Fox 3, the Michigan settlement, and past mergers.

Party: Staff
Witness: Randel Pilo (Assistant Administrator, Div. of Reg. Energy Markets)
Testimony Filed: Direct

Mr. Pilo's [direct testimony](#) examines the transaction with respect to horizontal and vertical market power. Mr. Pilo also discusses ownership and control options with respect to ATC.

Party: Staff
Witness: Candice Spanjar (Audit Manager, GEDIV)
Testimony Filed: Rebuttal

Ms. Spanjar's [rebuttal testimony](#) discusses various issues related to the Michigan settlement, including Cloverland's potential contract claims, margin revenues received by WEPCO from the mines, and PIPP/SSR revenue.

Party: Intervenors -- Local 420, International Union of Operating Engineers
Witness: Mark Maierle (Business Manager, Local 420)
Testimony Filed: Direct

Mr. Maierle's [direct testimony](#) discusses and proposes conditions regarding workforce issues.

Party: Intervenors -- CUB
Witness: Richard Hahn (Principal Consultant, La Capra & Associates)
Testimony Filed: Direct, Rebuttal

Mr. Hahn's [direct testimony](#) discusses the "best interests" analysis and applies that analysis to WEC's submissions, particularly with respect to ratepayers. Mr. Hahn discusses synergy, as well as credit ratings and access to capital markets. Finally, Mr. Hahn discusses various conditions, including (1) select conditions proposed in Illinois and Michigan, (2) ring fencing, (3) an earnings cap, (4) treatment of transmission escrow costs, (5) with respect to Fox Energy Center, and (6) most favored nation status.

Mr. Hahn's [rebuttal testimony](#) addresses the applicants' supplemental direct and rebuttal testimony, as well as Commission Staff's direct testimony. Specifically, Mr. Hahn discusses (1) recovery of transition costs; (2) options regarding combining WEPCO and WPSC's power supply portfolios, including discussion of a power purchase agreement between WEPCO and WPSC; (3) the Michigan settlement; (4) the best interests analysis; (5) transmission escrow costs; (6) a most favored nation condition; (7) dividend restrictions; (8) earning restrictions; (9) credit ratings; (10) Fox 3; (11) synergy savings, and (12) access to capital.

Party: Intervenors -- Great Lakes Utilities
Witness: Nilaksh Kothari (General Manager, Manitoewoc Public Utilities;
Administrative Manager, Great Lakes Utilities)
Testimony Filed: Direct, Rebuttal, Surrebuttal

Mr. Kothari's [direct testimony](#) discusses MPU's experiences with ATC and WEC's proposed ATC voting restrictions. Mr. Kothari also proposes additional conditions regarding ATC.

Mr. Kothari's [rebuttal testimony](#) addresses potential future changes in purchased power costs and issues related to ownership and control of ATC.

Mr. Kothari's [surrebuttal testimony](#) addresses discovery responses filed by WEC after his rebuttal testimony was filed. Specifically, Mr. Kothari responds to WEC's disclosure that a number of ATC's owners have discussed potential restructuring options related to ATC LLC. Mr. Kothari requests that GLU's proposed conditions relating to ATC ownership and control would also apply in the event of any such restructuring.

Party: Intervenors -- Great Lakes Utilities
Witness: Mark Lowry (President, Pacific Economics Group)
Testimony Filed: Direct

Mr. Lowry's [direct testimony](#) analyzes WEC's submissions from the perspective of Wisconsin's bulk power market. Specifically, Mr. Lowry discusses proposed ATC voting restrictions; levelization of wholesale rates; potential savings, including O&M savings; regulatory risks; credit ratings; and environmental issues. Mr. Lowry proposes conditions addressing (1) rate levelization and (2) control of ATC.

Party: Intervenors -- Jobs4WI
Witness: Steven Vock (Technical Director, Jobs4WI; Practice Director, Titus Energy)
Testimony Filed: Direct, Rebuttal, Surrebuttal

Mr. Vock's [direct testimony](#) discusses future rate changes, synergy savings, regulatory experimentation, and access to capital. Mr. Vock proposes conditions addressing (1) options for high voltage customers, (2) the PTF leases, (3) WEPCO's transmission deferral account, and (4) control of ATC.

Mr. Vock's [rebuttal testimony](#) discusses (1) the best interests analysis, (2) regulatory experimentation, (3) non-fuel O&M costs, (4) finance costs and terms, (5) WEPCO's generating capacity, (6) the Michigan settlement, and (7) ownership and control of ATC.

Mr. Vock's [surrebuttal testimony](#) addresses the write-off of transmission deferral balances (initially addressed in his direct testimony) and the Michigan settlement (initially addressed in his rebuttal testimony). Mr. Vock argues that the transmission

escrow should be written off in its entirety, and that all costs associated with the Michigan settlement be treated as unrecoverable transaction costs.

Party: Intervenors -- WIEG
Witness: Lane Kollen (Vice President and Principal, Kennedy & Associates)
Testimony Filed: Direct, Rebuttal

Mr. Kollen's [direct testimony](#) discusses the "best interests" analysis and applies that analysis to WEC's submissions, particularly with respect to customers and the public. Mr. Kollen discusses merger savings analyses, plans for staffing at WBS, rate increases, potential hidden costs, and accounting by affiliates for costs associated with the transaction. Mr. Kollen also discusses various conditions, including (1) a hold harmless commitment; (2) most favored nation treatment; (3) with respect to the Fox Energy Center; (4) treatment of transmission escrow costs; (5) a savings surcredit for earnings in excess of return on equity; (6) accounting and treatment of acquisition premium costs, transaction costs, transition costs, severance costs, investment costs, financing costs, and duplicate costs; and (7) rate levelization. Mr. Kollen classifies these conditions as either "hold harmless" or "benefits."

Mr. Kollen's [rebuttal testimony](#) addresses (1) transaction costs, (2) transition costs and benefits, (3) the transmission escrow accounts, (4) the best interests analysis, (5) the Michigan settlement, and (6) ownership and control of ATC. Mr. Kollen also discusses several proposed conditions, including with respect to normalizing WEPCO and WPSC's rates, most favored nation status, treatment of excess earnings, and costs associated with credit rating downgrades.

Attachment E

List of Electronic Links to Available Briefs and
Briefing Papers in Other Jurisdictions

List of Electronic Links to Available Briefs and Briefing Papers in Other Jurisdictions
*In the Matter of the Report of Minnesota Energy Resources Corporation on the Merger of
Wisconsin Energy Corporation and Integrys Energy Group, Inc.*

State	Document Name	Date Filed	Link
Illinois	Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a Reorganization, to enter into agreements with affiliated interests pursuant to Section 7-101, and for such other approvals as may be required under the Public Utilities Act to effectuate the Reorganization	August 6, 2014	http://www.icc.illinois.gov/downloads/public/edocket/383554.pdf
Illinois	Initial Brief of the Staff of the Illinois Commerce Commission	March 27, 2015	http://www.icc.illinois.gov/downloads/public/edocket/400539.pdf
Illinois	Joint Applicants' Initial Post-Hearing Brief	March 27, 2015	http://www.icc.illinois.gov/downloads/public/edocket/400553.pdf
Illinois	Initial Brief of the City of Chicago and the Citizens Utility Board	March 27, 2015	http://www.icc.illinois.gov/downloads/public/edocket/400583.pdf
Illinois	Initial Brief of The People of the State of Illinois	March 27, 2015	http://www.icc.illinois.gov/downloads/public/edocket/400586.pdf
Michigan	Joint Application/Request, Draft Notice of Opportunity to Comment, Draft Notice of Hearing, Testimony and Exhibits and Proof of Service	August 6, 2014	http://efile.mpsc.state.mi.us/efile/docs/17682/0001.pdf
Michigan	Letter to Michigan PSC from Alexia & Stephen Rish	October 1, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0073.pdf
Michigan	Settlement Agreement	January 30, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0131.pdf
Michigan	Cloverland's Objection to Settlement Agreement	February 12, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0153.pdf
Michigan	Joint Applicants' Response to	February 20, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0175.pdf

List of Electronic Links to Available Briefs and Briefing Papers in Other Jurisdictions
*In the Matter of the Report of Minnesota Energy Resources Corporation on the Merger of
Wisconsin Energy Corporation and Integrys Energy Group, Inc.*

State	Document Name	Date Filed	Link
	Cloverland Electric Cooperative's Objection to Settlement Agreement		
Michigan	Attorney General's Response to Cloverland's Objections	February 20, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0176.pdf
Michigan	Joint Applicants' Application For Leave To Appeal Ruling of Presiding Officer Pursuant To R 792.10433 and Brief In Support Of Joint Applicants' Application For Leave To Appeal Ruling Of Presiding Officer Pursuant To R 792.10433	February 23, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0178.pdf
Michigan	Attorney General's Application for Leave to Appeal From the ALJ's Ruling on the Motion to Terminate Cloverland's Permissive Intervention Status	February 23, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0179.pdf
Michigan	Cloverland Electric Cooperative's Response to the Joint Applicants' and the Attorney General's Application for Leave to Appeal the ALJ's Order Denying the Attorney General's Motion to Terminate Cloverland's Intervention	February 25, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0184.pdf
Michigan	Order Granting Applications to Leave to Appeal and Denying Relief Requested	February 27, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0190.pdf
Michigan	Amended and Restated	March 13, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0197.pdf

List of Electronic Links to Available Briefs and Briefing Papers in Other Jurisdictions
*In the Matter of the Report of Minnesota Energy Resources Corporation on the Merger of
Wisconsin Energy Corporation and Integrys Energy Group, Inc.*

State	Document Name	Date Filed	Link
	Settlement Agreement		
Michigan	Citizens Against Rate Excess Agreement to Amended and Restated Settlement Agreement Pursuant to Commission Rule 792.10431(3)	March 20, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0198.pdf
Michigan	Cloverland Electric Cooperative Agreement to Amended and Restated Settlement Agreement Pursuant to Commission Rule 792.10431(3)	March 20, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0199.pdf
Michigan	FibreK Nonobjection to Amended and Restated Settlement Agreement Pursuant to Commission Rule 792.10431(3)	March 20, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0200.pdf
Michigan	Statement of Non-Objections by Verso Paper Corp.	March 25, 2015	http://efile.mpsc.state.mi.us/efile/docs/17682/0203.pdf
Wisconsin	Application of Wisconsin Energy Corporation for Approval to Acquire the Stock of Integrys Energy Group , Inc.	August 6, 2014	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=213332
Wisconsin	Order re: scheduling	October 13, 2014	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=222174
Wisconsin	Prehearing Conference Memorandum	October 16, 2014	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=222464
Wisconsin	Order re: schedule of the proceeding	December 30, 2014	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=226793
Wisconsin	Order re: amending schedule of the proceeding	January 29, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=230661
Wisconsin	Order to Accept Stipulated	March 20, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=2334

List of Electronic Links to Available Briefs and Briefing Papers in Other Jurisdictions
*In the Matter of the Report of Minnesota Energy Resources Corporation on the Merger of
Wisconsin Energy Corporation and Integrys Energy Group, Inc.*

State	Document Name	Date Filed	Link
	Schedule and Rescind Notice of Scheduling Conference		77
Wisconsin	Initial Brief of the Citizens Utility Board of Wisconsin	March 30, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=233827
Wisconsin	Initial Brief of the Environmental Law & Policy Center	March 30, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=233820
Wisconsin	Initial Brief of Great Lakes Utilities	March 30, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=233819
Wisconsin	Initial Post-Hearing Brief of Integrys Energy Group, Inc.	March 30, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=233806
Wisconsin	Initial Brief of the International Union of Operating Engineers – Local 420	March 30, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=233817
Wisconsin	Initial Brief of Jobs4WI, Inc.	March 30, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=233822
Wisconsin	WEC’s Initial Post-Hearing Brief	March 30, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=2338233
Wisconsin	Initial Post-Hearing Brief of the Wisconsin Industrial Energy Group and Wisconsin Paper Council	March 30, 2015	http://psc.wi.gov/apps35/ERF_view/viewdoc.aspx?docid=233828
FERC	Joint Application for Authorization of Disposition of Jurisdictional Assets And Merger Under Sections 203(A)(1) and 203(A)(2) of the Federal Power Act	August 15, 2014	http://elibrary.ferc.gov:0/idmws/File_List.asp?document_id=14243289
FERC	Motion to Intervene, Protest, and Request for Hearing of Michigan Attorney General and Governor	October 17, 2014	http://elibrary.ferc.gov:0/idmws/File_List.asp?document_id=14261652

List of Electronic Links to Available Briefs and Briefing Papers in Other Jurisdictions
*In the Matter of the Report of Minnesota Energy Resources Corporation on the Merger of
Wisconsin Energy Corporation and Integrys Energy Group, Inc.*

State	Document Name	Date Filed	Link
FERC	Protest of Tilden Mining Company L.C. and Empire Iron Mining Partnership	October 17, 2014	http://elibrary.ferc.gov:0/idmws/file_list.asp?document_id=14261647
FERC	Motion to Intervene and Protest of Great Lakes Utilities	October 17, 2014	http://elibrary.ferc.gov:0/idmws/file_list.asp?document_id=14261644
FERC	Answer of Wisconsin Energy Corporation and Integrys Energy Group, Inc.	October 28, 2014	http://elibrary.ferc.gov:0/idmws/file_list.asp?document_id=14264514
FERC	Letter Requesting Wisconsin Energy Corporation et al to Provide Additional Information w/in 30 days re: the Joint Application for Authorization of Disposition of Jurisdictional Assets and Merger etc. Under EC14-126	November 19, 2014	http://elibrary.ferc.gov:0/idmws/file_list.asp?document_id=14271936
FERC	Response to Staff Letter Requesting Additional Information of Wisconsin Energy Corporation and Intergys Energy Group, Inc. under EC14-126	December 18, 2014	http://elibrary.ferc.gov:0/idmws/file_list.asp?document_id=14283277
FERC	Letters to Chairman LaFleur and Commissioners Moeller, Clark, and Bay, of the Michigan Attorney General Under EC14-126.	January 16, 2015	http://elibrary.ferc.gov:0/idmws/file_list.asp?document_id=14291643
FERC	Comment in Support of Filing of Tilden Mining Company L.C. and Empire Iron Mining Partnership Under EC14-126	January 20, 2015	http://elibrary.ferc.gov:0/idmws/file_list.asp?document_id=14292882

Attachment F

Michigan Amended and Restated Settlement Agreement

**STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

* * * * *

In the matter of the joint application of) WISCONSIN ENERGY CORPORATION and) INTEGRYS ENERGY GROUP, INC. , for approval,) pursuant to MCL 460.6q, for the transfer of control of) WISCONSIN PUBLIC SERVICE CORPORATION) and MICHIGAN GAS UTILITIES CORPORATION;) and the joint request of WISCONSIN PUBLIC) SERVICE CORPORATION, MICHIGAN GAS) UTILITIES CORPORATION and WISCONSIN) ELECTRIC POWER COMPANY for waivers from, or) declarations regarding the applicability of, the code of) conduct and affiliate transaction guidelines) <u>and related approvals.</u>)	Case No. U-17682
---	------------------

**AMENDED AND RESTATED
SETTLEMENT AGREEMENT**

Pursuant to MCL 24.278 and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission (“MPSC” or the “Commission”), R 792.10431, settlement discussions were conducted among Wisconsin Energy Corporation (“WEC”), Integrys Energy Group, Inc. (“Integrys”), Wisconsin Public Service Corporation (“WPS Corp”), Wisconsin Electric Power Company (“Wisconsin Electric”), Michigan Gas Utilities Corporation (“MGUC”) (collectively, “Joint Applicants”), the MPSC Staff (“Staff”), Attorney General Bill Schuette (“AG”), Tilden Mining Company, L.C. (“Tilden Mine”), and Empire Iron Mining Partnership (“Empire Mine”) (collectively, Tilden Mine and Empire Mine, the “Mines”). As a result of such settlement discussions the signatories to this Amended and Restated Settlement Agreement agree as follows:

1. On August 6, 2014, Joint Applicants filed a Joint Application with the Michigan Public Service Commission (“MPSC”) pursuant to Section 6q of 2008 PA 286; MCL 460.6q

requesting, among other things, all required approvals in connection with the transfer of control of WPS Corp and MGUC from Integrys to WEC, pursuant to an Agreement and Plan of Merger, as fully described in the Joint Application (“Proposed Transaction”), pursuant to which WEC will acquire the outstanding shares of Integrys.

2. Pursuant to due notice, a prehearing conference was held August 29, 2014, before Administrative Law Judge (“ALJ”) Sharon L. Feldman. At the prehearing conference, the AG’s Notice of Intervention was granted. The ALJ also granted Petitions for Leave to Intervene filed by CARE, the Mines, Verso, Fibrek, and Cloverland. The Staff also participated in the proceedings.

3. On October 30, 2014, the ALJ granted the AG’s motion to modify the schedule in order to pursue settlement discussions.

4. On January 30, 2015, the Attorney General filed a settlement agreement that was signed by all the parties in this case except Cloverland (“January 30, 2015 Settlement Agreement”). Thereafter, a revised case schedule was set for contested settlement proceedings pursuant to Rule 431 of the Commission’s Rules of Practice and Procedure, R 792.10431.

5. Subsequent to the filing of the January 30, 2015 Settlement Agreement, and while contested settlement proceedings on the January 30, 2015 Settlement Agreement were pending, the signatories to this agreement negotiated this Amended and Restated Settlement Agreement.

6. The signatories to the Amended and Restated Settlement Agreement agree that the Proposed Transaction satisfies the requirements under MCL 460.6q(7) and that the relief requested in the Joint Application, including the requested waivers associated with the Code of Conduct and the Affiliate Transaction Guidelines of Case No. U-13470, should be granted, and:

- a. Wisconsin Electric will not enter into a System Support Resource (“SSR”) agreement with Midcontinent Independent System Operator, Inc. (“MISO”) for the operation of the Presque Isle Power Plant (“PIPP”) so long as both Mines, if operational, remain full requirements customers of Wisconsin Electric until the earlier of: (i) the day the new, clean generation plant located in the Upper Peninsula of Michigan (“Plant”), discussed further below, commences commercial operations; or (ii) December 31, 2019.
- b. Wisconsin Electric will operate PIPP according to prudent utility practice, and provide safe, reliable, and adequate electric service to all of Wisconsin Electric’s Michigan retail customers.
- c. No other Michigan customers’ retail rates will be increased as a result of the special contracts entered into between Wisconsin Electric and the Mines.
- d. Wisconsin Electric will make necessary capital investments in PIPP to continue operation of PIPP until the earliest of: (i) December 31, 2019; (ii) the Plant commences commercial operation; or (iii) an earlier retirement date of PIPP agreed to between Wisconsin Electric and the Mines.
 - (i) Wisconsin Electric shall disclose its planned capital expenditures for the life of PIPP to the MPSC Staff. Wisconsin Electric shall limit such capital investments as much as is prudent, and shall advise the MPSC Staff at least 4 weeks in advance if possible, but in urgent situations no later than 7 days after the capital expenditure is made, of any capital expenditure or group of capital expenditures for a singular purpose of more than \$5,000,000 not included in the original plan.

- (ii) Michigan allocated revenues collected by Wisconsin Electric through the SSR Agreements at issue in FERC dockets ER14-1242, ER14-1243, ER14-2860, and ER14-2862 shall be applied first to Michigan full requirements customer refunds, and then to offset capital expenditures. Any remaining SSR funds may be put to any other permissible purpose.
- e. If, notwithstanding Section 6.a. above, the Mines that are operational are full requirements customers of Wisconsin Electric, and Wisconsin Electric enters into a SSR Agreement for PIPP, Wisconsin Electric shall refund to all Michigan customers the amount of the new SSR paid by those customers per such SSR agreement within 10 days of Wisconsin Electric's receipt of such SSR payments from MISO. The MPSC shall have the ability to audit these refunds.
- f. If either the Tilden Mine or the Empire Mine, while being operational, choose to participate in Retail Access Service prior to the earliest of: (i) December 31, 2019; (ii) the Plant commences commercial operation; or (iii) an earlier retirement date of PIPP agreed to between Wisconsin Electric and the Mines, and Wisconsin Electric seeks an SSR agreement for PIPP, the Mines shall reimburse all Michigan customers. The reimbursement mechanism for Michigan customers of Wisconsin Electric shall be the net amount of the fixed PIPP SSR costs paid by those customers per such SSR agreement. Wisconsin Electric shall notify the Mines of the amount due to customers on a monthly basis during the life of the SSR agreement. The amount of fixed PIPP SSR costs shall be offset by those customers' allocated share of PIPP SSR revenues Wisconsin Electric receives. Such reimbursement shall occur within 10 days of notification by Wisconsin Electric of

receipt of such payments, with the Mines making full payment to Wisconsin Electric. The MPSC shall have the ability to audit these refunds.

g. WEC makes a binding commitment to be an investor in the Plant by having Wisconsin Electric, or, if formed, its future Michigan-only utility do the following:

(i) At the option of the Mines, WEC will either: (i) make a minority interest equity investment in the Plant proposed by the Mines with potentially a third-party and agree to off-take an amount of energy equal to the Michigan jurisdictional non-Mine load of WEC's electric utility subsidiaries; or (ii) off-take an amount of energy equal to the Michigan jurisdictional non-Mine load of WEC's electric utility subsidiaries less WEC's current Michigan hydro-facility capacity (not to exceed 8 MW) without making a minority equity investment in the Plant. While such Plant is still in the planning process and the capabilities and terms are generally unknown, such investment will be on the same financial terms as the majority investor. WEC's Michigan subsidiaries will enter into a PPA or PPAs for energy from the Plant at a rate equal to the cost to serve non-Mine customers from the Plant, in full consideration of the reliability benefit of the new Plant, for a term equal to the contract term between the Mines and the potential third party. The agreement for this investment must be executed by July 31, 2016.

(ii) If the agreement for the investment described in Paragraph 6.g.(i), above, has not been executed by July 31, 2016, then WEC will either: (i) negotiate an agreement with the Mines to develop such Plant; or (ii) off-take an amount of energy equal to the Michigan jurisdictional non-Mine load of WEC's electric utility subsidiaries less WEC's current Michigan hydro-facility capacity (not to exceed 8

MW) without making a minority equity investment in the Plant. While the Plant is still in the planning process and the capabilities and terms are generally unknown, such investment will be on the same financial terms as the Mines. WEC's Michigan subsidiaries will enter into a PPA or PPAs for energy from the Plant at a rate equal to the cost to serve non-Mine customers from the Plant, in full consideration of the reliability benefit of the new Plant, for a term equal to the contract term between the Mines and the potential third party. The agreement for this investment must be executed by December 31, 2016.

(iii) If the agreement for the investment described in Paragraph 6.g.(ii), above, has not been executed by December 31, 2016, and it is reasonable and prudent and in the best interests of Michigan ratepayers, then WEC will construct, own and operate the Plant, if reasonable and prudent to do so and is in the best interests of Michigan ratepayers, as a Michigan only asset subject to the requirement that the Mines have previously signed an agreement to receive all their electric load from the Plant, for a period of ten (10) years, beginning January 1, 2020. In this event, the Mines agree to enter into such an agreement with WEC (or its successor). If WEC and the Mines are unable to agree to a rate, or any other term of service in the agreement, the MPSC shall have the authority to resolve the dispute under a just and reasonable standard.

For (i) through (iii) above, the investment and PPA is subject to the issuance of a Certificate of Necessity under all subsections of MCL 460.6s(3) assuring that if granted WEC's investment and/or its Michigan-only utility's investment in and the cost of the

Plant and/or PPA will be fully recovered through Michigan retail rates, if just and reasonable.

WEC further agrees to the creation of a Michigan-only jurisdictional utility to facilitate this long-term solution, if reasonable and prudent, with timing to be determined with the MPSC. All investment and costs associated with the Plant would be allocated to the Michigan jurisdictional utility and would not require approval by the Public Service Commission of Wisconsin.

h. WEC and Wisconsin Electric shall advocate within American Transmission Company, LLC to ensure that studies regarding the necessary configuration of the Plant in order to replace PIPP from a transmission planning point of view proceed fairly and expeditiously.

7. This Amended and Restated Settlement Agreement is conditioned on the MPSC's approval of the special contracts entered into between Wisconsin Electric and the Mines dated March 12, 2015.

8. The signatories agree that this Amended and Restated Settlement Agreement is reasonable, prudent, in the public interest and will aid in the expeditious conclusion of this case.

9. The January 30, 2015 Settlement Agreement is withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose.

10. If the Commission approves this Amended and Restated Settlement Agreement without modification, none of the signatories to this settlement will challenge the Commission's Order in Case No. U-17682 approving this settlement, including but not limited to challenging the lawfulness of the Commission's approval being subject to the conditions set forth in this Amended and Restated Settlement Agreement or the adequacy of the record to support the

Commission's Order. This Amended and Restated Settlement Agreement will not prejudice the positions taken by any of the parties in any proceedings regarding the SSR agreements, or the amounts of or allocation of SSR expenses and credits for operations conducted and service provided prior to the termination of the PIPP SSR agreement on February 1, 2015

11. This Amended and Restated Settlement Agreement has been made for the sole express purpose of reaching compromise among the positions of the signatories. All offers of settlement and discussions relating to this Amended and Restated Settlement Agreement shall be considered privileged as provided in MRE 408. If the Commission approves this Amended and Restated Settlement Agreement without modification, neither the signatories to this Amended and Restated Settlement Agreement nor the Commission shall use it as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other cases or proceeding; provided, however, such reference or use may be made to enforce the Amended and Restated Settlement Agreement and Order.

12. Provided that all parties to this case are signatories to this Amended and Restated Settlement Agreement or file statements of non-objection or fail to object within the time frame set forth in Rule 431 of the Rules of Practice and Procedure Before the Commission, then it is agreed that Section 81 of the Administrative Procedures Act of 1969, MCL 24.281, is waived as it applies to this proceeding, if the Commission approves this Amended and Restated Settlement Agreement without modification.

13. This Amended and Restated Settlement Agreement is not severable. Each provision of the Amended and Restated Settlement Agreement is dependent upon all other provisions of the Amended and Restated Settlement Agreement. Failure to comply with any provision of the Amended and Restated Settlement Agreement constitutes failure to comply

with the entire Amended and Restated Settlement Agreement. If the Commission rejects or modifies this Amended and Restated Settlement Agreement or any provision of the Amended and Restated Settlement Agreement, the Amended and Restated Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose.

WISCONSIN ENERGY CORPORATION,
INTEGRYS ENERGY GROUP, INC., WISCONSIN
ELECTRIC POWER COMPANY, WISCONSIN
PUBLIC SERVICE CORPORATION and
MICHIGAN GAS UTILITY CORPORATION

Dated: March 12, 2015

Michael
C.
Rampe

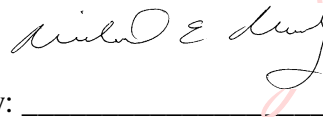
Digitally signed by: Michael C. Rampe
DN: CN = Michael C. Rampe C = US O
= Miller Canfield
Date: 2015.03.12 20:06:46 -04'00'

By: _____

One of Its Attorneys
Ronald W. Bloomberg (P30011)
Sherri A. Wellman (P38989)
Michael C. Rampe (P58189)
Miller, Canfield, Paddock and Stone, PLC
One Michigan Ave., Ste. 900
Lansing, MI 48933

ATTORNEY GENERAL BILL SCHUETTE

Michael Moody



2015.03.13

11:49:29 -04'00'

Dated: March 12, 2015

By: _____

One of His Attorneys
Michael Moody (P51985)
525 W. Ottawa St. 6th Floor
G. Mennen Williams Bldg.
Lansing, MI 48909

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: March 12, 2015

By: **Spencer A.
Sattler** Digitally signed by Spencer A. Sattler
DN: cn=Spencer A. Sattler, o=Michigan
Department of Attorney General, ou=Public
Service Division,
email=sattlers@michigan.gov, c=US
Date: 2015.03.12 22:38:01 -04'00'

One of Its Attorneys
Spencer A. Sattler (P70524)
Bryan A. Brandenburg (P77216)
Assistant Attorneys General
Public Service Division
7109 West Saginaw Highway
3rd Floor
Lansing, MI 48917

TILDEN MINING COMPANY L.C. and EMPIRE
IRON MINING PARTNERSHIP

Dated: March 12, 2015

By: **Jennifer
Utter
Heston** Digitally signed by Jennifer
Utter Heston
DN: cn=Jennifer Utter Heston,
o=Fraser Trebilcock, ou,
email=jheston@fraserlawfirm.c
om, c=US
Date: 2015.03.12 20:52:05
-04'00'

Its Attorney
Jennifer Utter Heston (P65202)
Fraser Trebilcock Davis & Dunlap, PC
124 W. Allegan, Ste. 1000
Lansing, MI 48933

23993001.1\130071-00070

Attachment G

FERC Docket No. EC14-126
List of Intervening Parties

WEC/Integritys Merger Proceedings Before FERC
FERC Docket No. EC14-126
Attachment G: List of Intervening Parties

WPPI Energy (8/18/2014)

Consumers Energy Company (8/21/2014)

American Transmission Company LLC (8/28/2014)

Tilden Mining Company L.C., et. al., (9/8/2014)

Wisconsin Power and Light Company (9/26/2014)

Cloverland Electric Cooperative (10/16/2014)

Dairyland Power Cooperative (10/17/2014)

Public Service Commission of Wisconsin (10/17/2014)

Xcel Energy Services Inc. (10/17/2014)

Verso Paper Corp. (10/17/2014)

Great Lakes Utilities (10/17/2014)

Michigan Attorney General Bill Schuette and Michigan Governor Rick Snyder (10/17/2014)