

April 20, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/PA-14-664

Dear Mr. Wolf:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

A Request for Approval of the Merger Agreement between Integrys Energy Group, Inc. and Wisconsin Energy Corporation.

The petition was filed on August 6, 2014 by:

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation
2665 145th Street West, Box 455
Rosemount, MN 55063-0455

The Department recommends **approval of the petition with conditions**. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

EA/It
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. G011/PA-14-664

I. INTRODUCTION

The Minnesota Department of Commerce (Department) respectfully submits these Comments in response to the filing submitted by Minnesota Energy Resources Corporation (MERC or Applicant) on April 3, 2015. In its “Order Finding Jurisdiction, Granting Variance and Establishing Procedures” dated February 24, 2015 in this proceeding, the Commission required the Applicant to provide an update on the non-Minnesota state and federal level proceedings as well as:

1. A list of witnesses, a summary of topics addressed, and a summary of testimony;
2. A list of issues raised;
3. Any agreements made;
4. Electronic links to any available briefs and briefing papers; and
5. Any decisions rendered.

MERC’s filing included all the currently available information listed in the Commission’s Order. The Applicant noted in the filing that it had identified 145 proposed merger conditions in the non-Minnesota state-level proceedings¹. Over the course of two meetings, MERC, the Department and the Office of the Attorney General Residential Anti-Trust Division reviewed and classified to a limited extent the 145 proposed conditions. Based on those meetings and subsequent analysis, the Department then refined the classification of those proposed conditions into five categories.

6. Not applicable to the Minnesota proceeding²;
7. Already covered by Minnesota law or MERC’s proposed merger conditions³;

¹ The non-Minnesota state level proceedings are occurring in Illinois, Michigan and Wisconsin.

² This information is included in Attachment A.

³ This information is included in Attachment B.

8. Applicable to the Minnesota proceeding and agreed to by MERC and the Department⁴;
9. Proposed merger conditions that were in contention or unresolved between the Department and the Company as of early April 2015 that the Department has determined are not applicable to nor appropriate for MERC⁵; and,
10. Proposed merger conditions that the Department recommends the Commission adopt⁶.

The Department's classification scheme is similar to the one presented by MERC in its April 3, 2015 filing.

II. DEPARTMENT ANALYSIS

A. *NON-MINNESOTA PROPOSED MERGER CONDITIONS NOT APPLICABLE TO MINNESOTA PROCEEDING*

The Department identified 82 of the 145 proposed merger conditions provided by MERC as not being applicable to this proceeding. A complete list of those non-applicable, non-Minnesota merger conditions is included as Attachment A. For example, the entirety of the proposed merger conditions included in the settlement reached in the Michigan proceeding (Docket No. U-17682) concern electric power supply issues in Michigan's Upper Peninsula. In Illinois, many of the proposed merger conditions relate to People's Gas Accelerated Main Replacement Program (AMRP). None of those conditions would be applicable to MERC.

B. *NON-MINNESOTA PROPOSED MERGER CONDITIONS COVERED BY MINNESOTA LAW OR THE PROPOSED MERGER CONDITIONS INCLUDED IN MERC'S APPLICATION*

The Department identified 30 of the 145 proposed merger conditions provided by MERC as being applicable to this proceeding but already covered by operation of Minnesota law or included in or substantially similar to the list of conditions to which MERC had already agreed in this proceeding. A complete list of those non-applicable, non-Minnesota merger conditions covered by Minnesota Law or the proposed merger conditions included in MERC's application or agreed to by MERC is included as Attachment B.

C. *NON-MINNESOTA PROPOSED MERGER CONDITIONS APPLICABLE TO MINNESOTA THAT THE DEPARTMENT RECOMMENDS THE COMMISSION ADOPT OR MERC HAS ACCEPTED*

The Department identified 33 of the proposed merger conditions provided by MERC as requiring additional analysis or review. The Department's review concluded that the Commission should add the following 2 conditions to approval of MERC's proposal:

⁴ This information is included in Attachment C.

⁵ This information is included in Attachment D.

⁶ This information is included in the Recommendations Section of these Comments.

Table 1 – Department’s Recommended Additional Proposed Merger Conditions

Number/ Category	Condition	Proposed Language
65/Financial	Increased capital costs associated with holding company actions	Deny recovery of increased financing costs due to rating agency downgrades.
66/Financial	Increased capital costs associated with holding company actions	Any increased capital costs determined by the Commission as 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.

The Department’s rationale for including these two additional proposed conditions is similar to the rationale the DOC provided in its comments dated October 20, 2014. In our comments, we noted that the only discernible short-term impact to MERC from the proposed acquisition of Integrys by the Wisconsin Energy Corporation (Proposed Transaction) was the incremental effect on the holding company’s credit rating. These two merger conditions are related to that issue.

Attachment C contains 23 additional proposed merger conditions that the Department originally included on a shortlist to analyze that MERC has accepted in one form or another. Those conditions relate to the following topics:

- Accounting for transaction and transition costs;
- Push-down accounting and its impact on rates;
- Compliance reporting;
- Money pool restrictions; and
- Several other smaller issues.

Summing the different categories developed thus far results in 137 proposed conditions that have been classified. The remaining 8 proposed conditions are discussed in the following section.

D. NON-MINNESOTA PROPOSED MERGER CONDITIONS THAT MERC HASN’T ACCEPTED AND THE DEPARTMENT DOESN’T RECOMMEND THE COMMISSION ADOPT

The proposed conditions in this classification reflect the following topics:

- Rate freezes;
- Bill credits;
- Earnings caps; and

- Dividend prohibitions or restrictions.

The Department explained the basis for its opposition to a proposed rate freeze in its comments dated November 24, 2014 in this proceeding.⁷ This condition is also affected by the Commission's decision in Docket No. G-001, G-011/PA-14-107 dated December 8, 2014. In its "Order Approving the Sale Subject to Conditions", the Commission noted at page 3: "MERC anticipates filing a rate case as soon as 2015." One of the drivers for that general rate proceeding will be the integration of MERC's newly acquired gas properties into its system. It would be inconsistent to condition the Company's proposal in this docket with a rate freeze while assuming MERC will file a rate case sometime within the next 8 months. The same rationale holds for a proposed condition that would attempt to impose bill credits for MERC customers in Minnesota.

The Department doesn't support the concept of conditioning the Commission's approval of the Proposed Transaction on an earnings cap for MERC either. The rationale for an earnings cap is that the utility would be likely to earn a return on equity (ROE) above the Commission's authorized ROE from its last general rate case. The fact that MERC's existing service territory is not experiencing significant or sustained economic growth, plus the fact that MERC will be filing a rate case soon, in which the appropriate level of its ROE will again be examined, suggests that the value of an earnings cap from a ratepayer perspective is not significant.

The proposed conditions related to dividend prohibitions or restrictions included in Attachment D are supported by staff at the Wisconsin Public Service Commission (WI PSC). The Department understands that the Wisconsin Public Utilities Holding Act allows WI PSC staff this level of discretion. The Department notes that while prohibitions of this nature could decrease the Applicant's costs of borrowing theoretically by limiting the holding company's access to those funds, the Department's recommendation regarding the capping of service company costs (discussed below in these comments) is a simpler approach that yields a similar result. As a result, the Department doesn't support including merger conditions of this nature.

The Department also notes that it recommended approval of the Petition with four conditions in our Comments dated November 24, 2014. The Company largely agreed with the first three of those conditions in Attachment A to its filing submitted April 3, 2015. The Department's fourth recommendation focused on MERC making a filing to extend any potential benefits to its ratepayers from conditions proposed in non-Minnesota state jurisdictions. However, given the process that has taken place since those Comments were filed, the Department concludes that this recommendation is already being met through this process, as required by the Commission in its Order dated February 24, 2015.

⁷ Comments at page 6.

E. PROPOSED CONDITIONS RELATED TO THE CHANGES IN THE LEVEL OF EXPENSES ASSIGNED OR ALLOCATED TO MERC VIA THE AFFILIATED INTEREST AGREEMENT WITH INTEGRYS BUSINESS SYSTEMS

MERC receives services from Integrys Business Services (IBS) under an existing Affiliated Interest Agreement (AIA)⁸. It is the Department's understanding after conversations with the Company that MERC will enter into a new AIA with WEC Business Services LLC at some point in the near future if the Proposed Transaction is approved. The Department is concerned that the cost of the services currently provided by IBS to MERC may increase once IBS is replaced by WEC Business Services. Consequently, the Department recommends that the Commission require a commitment from the Applicant that costs allocated or assigned from IBS or WEC Business Services LLC to MERC cannot increase above the level approved in MERC's most recent general rate case (Docket No. E-011/GR-13-617) for ratemaking purposes for the first three years after the Proposed Transaction is executed.

III. RECOMMENDATIONS

The Department continues to recommend approval of the petition with conditions. The Department also recommends that the Commission add the following three conditions to the list of twenty-nine proposed conditions MERC included in Attachment A to the filing it submitted on April 3, 2015 in this proceeding.

1. The Commission will deny MERC recovery of increased financing costs due to any rating agency downgrades in any subsequent general rate proceeding for the first three years following the merger.
2. 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 MERC.
3. Costs allocated or assigned from IBS, or its successor, cannot increase above the level approved in MERC's most recent general rate case (Docket E-011/GR-13-617) for rate-making purposes for the first three years after the Proposed Transaction is executed.

⁸ This AIA was approved in Docket No. G-007,011/AI-07-779, on March 5, 2008. Subsequent changes to Exhibits B and C 17 of the Regulated AIA were approved in Docket No. G007, 011/AI-08-1376 on May 26, 18 2009, in Docket No. G-007,011/AI-09-1244 on May 17, 2011, in Docket No. G-19 007,011/AI-11-168 on May 17, 2011, and in Docket No. G-007,011/AI-12-910 on July 3, 20 2013.

Attachment Number of Condition	Original Item Number of Condition	Category	Condition	Proposed Language	State
1	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
2	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
3	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
4	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
5	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
6	27	Affiliated Interest	Affiliated Interest cost recovery	Deny recovery of duplicate costs incurred by WE and Integrys service companies under Interim Affiliate Agreements.	Wisconsin
7	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
8	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
9	30	ATC	Divestiture of ATC ownership	Divest between 10-12% of ATC.	Wisconsin
10	31	ATC	Divestiture of ATC ownership	WEC should divest its controlling interest in the ATC.	Wisconsin

Attachment Number of Condition	Original Item Number of Condition	Category	Condition	Proposed Language	State
11	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
12	33	ATC	Makeup of ATC Board	ATC Board seats be filled by people from currently unrepresented entities.	Wisconsin
13	34	ATC	Makeup of ATC Board	Guarantee a seat on ATC Board for currently unrepresented municipal utility or cooperative.	Wisconsin
14	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 ATCLC through the acquisition of ATCMI or ATCLC securities, including, but not limited to ATCMI preferred stock.	Wisconsin
15	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
16	37	ATC	Successor purchaser limitations	WEC Energy and its affiliates shall not sell or otherwise transfer its ownership interest in ATC (ATCMI and/or ATCLC) except on terms which transfer the board position, board nomination, and voting securities ownership restrictions to the subsequent purchaser.	Wisconsin
17	38	ATC	Treatment of ownership interest in ATC	<p>WEC Energy holdings in ATC shall not be restricted by an investment cap.</p> <p><i>or</i></p> <p>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.</p> <p><i>or</i></p> <p>Within 90 days of consummation of the acquisition, WEC Energy shall divest any ownership interest in excess of 34 percent.</p>	Wisconsin
18	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

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19	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
20	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
21	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
22	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
23	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

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24	45	Favored Nation	Most favored nation condition	"Most favored nation" status with respect to the conditions in other jurisdictions	Wisconsin
25	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
26	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
27	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
28	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
29	55	Filings / Notice	Written reports	The Gas Companies shall cease their reporting on Condition #24 from Docket No. 06-0540.	Illinois

Attachment Number of Condition	Original Item Number of Condition	Category	Condition	Proposed Language	State
30	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
31	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
32	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
33	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
34	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 though a Commission order. This condition would not preclude UPPCo from filing a request for deferred accounting approval.	Michigan

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35	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
36	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
37	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
38	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
3	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
40	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
41	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

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42	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
43	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
44	79	Generation	Generation plan	Clarification of whether WEC is offering to delay Fox Energy Center as a condition of approval.	Wisconsin
45	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
46	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
47	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
48	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
49	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
50	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
51	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
52	89	Operations	Chicago Department of Transportation dotMaps 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

Attachment Number of Condition	Original Item Number of Condition	Category	Condition	Proposed Language	State
53	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> <ul style="list-style-type: none"> a) The Gas Companies' pooling charges; b) Development of a process to allow Percentage of Income Payment Program (PIPP) customers to choose an alternative gas supplier; c) Adoption of email, a secure FTP site, or fax for enrollment confirmations; 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; e) Development of a "wallet ready" enrollment process; f) The billing for non-commodity products and services by non-affiliates on utility bills; and g) A purchase of receivables tariff as described in the testimony of Ms. Debra Egelhoff in ICC Docket Nos. 14-0224/14-0225 (consol.). 	Illinois
54	92	Operations Filings / Notice	Cooperation with Commission Staff to implement recommendations in report	<p>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 non-privileged 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.</p>	Illinois
55	93	Operations	Coordination of workforce plan	<p>WEC "meet and confer with Local 420 and other employee representatives in developing a post-acquisition workforce plan."</p>	Wisconsin
56	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

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57	95	Operations	Employee headcount -- Five years	Similar condition regarding headcount as offered in Illinois, but for a five- year period.	Wisconsin
58	96	Operations	Employee headcount – Two years	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. <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.	Illinois
59	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
60	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
61	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
62	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

Attachment Number of Condition	Original Item Number of Condition	Category	Condition	Proposed Language	State
63	106	Operations Filings / Notice	Merger integration plans	WEC shall submit to the Commission, upon development and prior to implementation its merger integration plans.	Wisconsin
64	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
65	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
66	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
67	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
68	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
69	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

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70	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
71	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
72	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
73	118	Rates	Levelization of WEPCO and WPSC rates	Prohibit subsidization or "levelization" of the rates between WEPCO and WPSC.	Wisconsin
74	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
75	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
76	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
77	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
78	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

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79	142	Synergy savings	Treatment of deferrals	Permanent write off of WEPCO's transmission escrow costs, thereby excluding these costs from rates.	Wisconsin
80	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
81	144	Synergy savings	Treatment of deferrals	Write off WEPCO and WPSC's transmission escrows.	Wisconsin
82	145	Synergy savings	WPSC 2016 Test Year Reopener	<p>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:</p> <ol style="list-style-type: none"> 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

Attachment Number of Condition	Original Item Number of Condition	Category	Condition	Proposed Language	State
1	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
2	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
3	3	Accounting	Accounting for transaction and transition costs	The Gas Companies shall separately identify and track transaction costs and transition costs.	Illinois
4	4	Accounting	Acquisition premium	Deny direct and indirect recovery of the acquisition premium.	Wisconsin
5	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
6	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
7	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 reflect current estimates.</u>	Wisconsin
8	19	Accounting	Transaction costs recovery	Deny recovery of all transaction costs regardless of whether incurred before or after the transaction closes.	Wisconsin
9	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
10	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

Attachment Number of Condition	Original Item Number of Condition	Category	Condition	Proposed Language	State
11	22	Accounting	Transaction costs recovery	Transaction costs incurred in accomplishing the proposed Reorganization shall not be recoverable from ratepayers.	Illinois
12	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
13	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
14	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
15	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
16	91	Operations	Community involvement	WEC Energy Group will maintain Integrys' existing levels of community involvement in the communities the Gas Companies serve.	Illinois
17	100	Operations	Labor agreements honored	The Gas Companies' existing labor agreements will be honored.	Illinois
18	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
19	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.	Wisconsin
20	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

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21	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
22	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
23	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
24	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
25	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
26	135	Synergy savings	Transition costs recovery	Deny deferral of transition costs.	Wisconsin

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27	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
28	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
29	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
30	140	Synergy savings	Transition Costs -- alternate	Deny recovery or deferral of all involuntary and voluntary severance costs.	Wisconsin

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1	10	Accounting	Proof of exclusion	Identify all transaction, transition, and acquisition premium costs in an accounting system.	Wisconsin
2	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
3	12	Accounting	Proof of exclusion	Identify all transaction and transition costs in accounting system.	Wisconsin
4	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
5	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
6	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
7	16	Accounting	Savings to ratepayers	Allocation of any savings resulting from the proposed reorganization shall flow through to ratepayers.	Illinois
8	23	Accounting	Transition costs recovery	Transition costs may be recoverable to the extent the transition costs produce savings.	Illinois
9	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
10	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

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11	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
12	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
13	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
14	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
15	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
16	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
17	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
18	110	Operations	Prohibition from guaranteeing obligations of	The Gas Companies shall be prohibited from guaranteeing any obligations of their nonutility affiliates.	Illinois
19	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 EPCRA 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
20	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

Attachment Number	Original Item Number	Category	Condition	Proposed Language	State
21	125	Service company	Jurisdiction	The Commission shall as a condition of acquisition approval take continuing jurisdiction over the service company structure.	Wisconsin
22	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
23	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

Attachment Number	Original Item Number	Category	Condition	Proposed Language	State
1	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
2	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
3	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.	Wisconsin
4	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
5	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
6	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
7	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
8	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

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. G011/PA-14-664

Dated this 20th day of April 2015

/s/Sharon Ferguson

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