STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Betsy Wergin	Vice Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	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

COMMENTS OF THE OFFICE OF THE ATTORNEY GENERAL - RESIDENTIAL UTILITIES AND ANTITRUST DIVISION

The Office of the Attorney General – Residential Utilities and Antitrust Division ("OAG") submits the following Comments in response to the Update on the Wisconsin Energy Corporation ("WEC") and Integrys Energy Group, Inc. ("Integrys") Merger filed by Minnesota Energy Resources Corporation ("MERC") on April 3, 2015.[1]

I. INTRODUCTION.

Minnesota law provides that utilities may only engage in a merger transaction if the Commission finds that the proposed transaction is "consistent with the public interest."[2] If a transaction is not consistent with the public interest, then the Commission should either impose conditions to protect ratepayers or deny the transaction. The primary analysis in determining whether a transaction is consistent with the public interest is whether the benefits of the transaction outweigh the possible detriments to ratepayers.[3]

[1] WEC, Integrys, and MERC will collectively be referred to as "the Petitioners."
[2] Minn. Stat. § 216B.50.
[3] Minn. Stat. § 216B.50 (2014); *see also* Order Approving Sale Subject to Conditions, *In the Matter of a Request for Approval of the Asset Purchase & Sale Agreement Between Interstate Power and Light Company and Minnesota Energy Resources Corporation*, Docket No. G-001, G-011/PA-14-107, at 2 (Dec. 8, 2014). In the past, the Commission has stated that a transaction need not "affirmatively benefit ratepayers or the public" in order to be
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In its Initial Comments filed on October 20, 2014, the OAG identified several concerns with the transaction and recommended that the Commission wait to act on the Petitioners' request until proceedings in other jurisdictions had progressed. The Commission agreed, and Ordered the Petitioners to make a supplemental filing by April 5, 2015.[4] Following the Commission's February 24, 2015 Order, the OAG engaged in a dialogue with the other parties, and the OAG agrees that MERC's filing is an accurate summary of that dialogue. The OAG recommends that, if the Commission approves the proposed transaction, it impose the conditions to which the Petitioners have agreed. While the discussions with other parties were productive, there continue to be some areas of disagreement. As a result, additional conditions are necessary to protect and insulate ratepayers from the possible detriments of the proposed transaction; without these additional conditions, the proposed transaction would not be consistent with the public interest.

II. IF THE COMMISSION APPROVES THE PROPOSED TRANSACTION, THE COMMISSION SHOULD IMPOSE THE CONDITIONS TO WHICH MERC, WEC, AND INTEGRYS HAVE AGREED.

The Petitioners have agreed to several conditions in earlier filings in this matter. In addition, as a result of the dialogue with the OAG and the Department, the parties to the transaction have agreed to several additional concessions, as indicated in Attachment A of the

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consistent with the public interest, only that it "may not contravene the public interest" and "must be compatible with it." *See In the Matter of a Request for Approval of the Acquisition of the Stock of Natrogas, Incorporated, a Merger of Northern States Power Company and Western Gas Utilities, Inc., and Related Affiliated Interest Agreements*, Docket No. G-002/PA-99-1268, at 2 (Jan. 10, 2000). Notwithstanding the facts of this case, the OAG takes no position on whether the Commission's prior interpretation of the legal standard is correct.

[4] Order Finding Jurisdiction, Granting Variance, and Establishing Procedures (Feb. 24, 2015).

Petitioners' filing on April 3, 2015. The OAG recommends that the Commission impose the following conditions in its Order if the Commission approves the transaction.[5]

1. MERC will not seek to recover in retail rates any transaction costs incurred to execute the proposed transaction, or any part of the acquisition premium paid by WEC to Integrys as part of the proposed transaction.

2. The Petitioners will honor MERC's existing labor contracts.

3. MERC will not make any workforce reductions beyond normal attrition for at least two years.

4. MERC will maintain historic levels of community and charitable involvement.

5. MERC will maintain the same level of customer service after the proposed transaction.

6. The Petitioners will identify and track all transaction, transition, and acquisition premium costs in a manner that is readily reviewable and auditable by the Commission. (Conditions 10, 12, 134).

7. After closing, and in any rate proceeding filed within six years after the transaction closing, the Petitioners shall provide proof that no transaction costs are included in historical expenses of the operating utility or in the determination of revenue requirement. (Condition 11).

8. The Petitioners will not utilize any push-down accounting for purposes of ratemaking, even if push-down accounting is used for accounting purposes or permitted by GAAP. (Conditions 13, 14, 15).

9. The Petitioners will allocate any savings from the proposed reorganization to ratepayers. (Condition 16).

10. MERC will file a semi-annual compliance report on the status of all conditions imposed by the Commission in this case. (Condition 49).

[5] The OAG understands that the Petitioners have presented the conditions proposed in other states in the original language used by those parties, and for that reason some of the conditions are duplicative. In this list the OAG combines conditions which are duplicative, and makes minor, non-substantive changes to the language of conditions for the purpose of clarity.

11. MERC shall file a compliance report within 180 days of the closing of its transaction that describes MERC's post-merger capital structure and identifies capital structure adjustments, if any, that resulted from the reorganization. (Condition 50).

12. MERC shall inform the Commission and the parties when the transaction has been closed, and shall file a copy of the signed, executed final agreement between the Petitioners. (Conditions 51, 52).

13. MERC and the petitions shall not participate in money pools (i.e. an arrangement under which cash is shared between WEC Energy Group and its subsidiaries). (Condition 72).

14. MERC shall not loan funds or borrow funds from its post-acquisition parent or other regulated subsidiaries. (Condition 73).

15. The Petitioners shall file in this docket the results of their study of gas emergency response process developed with Wisconsin Commission Staff. (Condition 97).

16. MERC shall notify the Commission if MERC or another subsidiary of WEC Energy Group implements 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. (Condition 99).

17. The Petitioners shall file in this docket the results of their Pipeline Safety Management System developed with Illinois Commission Staff. (Condition 109).

18. MERC shall not guarantee any obligations of the Petitioners' nonutility affiliates. (Condition 110).

19. The Petitioners shall not elect to have 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 interests transactions and agreements associated with the service company. (Condition 123).

20. MERC will file in this docket the results of the Accelerated Mains Replacement Project ("AMRP") Audit Report. (Condition 124).

21. The Commission shall as a condition of acquisition approval take continuing jurisdiction over the service company structure. (Condition 125).

The OAG recommends that, if the proposed transaction is approved, the Commission impose these conditions, which have been agreed to between the OAG, the Department, and the Petitioners.

III. CONDITIONS THAT MERC, WEC, AND INTEGRYS AGREE ARE COVERED BY EXISTING ORDER OR LAW SHOULD BE RESTATED IN THE COMMISSION'S ORDER.

The Petitioners' filing indicates that many of the conditions are "Already Covered by Minnesota Commitments made by MERC or by Minnesota law." While the OAG agrees that many of the conditions listed under this category are duplicative, some of the conditions that are "covered by Minnesota law" are important, and the OAG recommends that the Commission specifically include them in its Order to clarify what the Petitioners have agreed is required by law. Since the Petitioners have indicated that the conditions are agreed to or are already required by law, including them in the Commission's order should not be controversial, but will ensure that there are no misunderstandings in the future. The OAG recommends that the following conditions, which the Petitioners have agreed are already required by Minnesota law, be specifically included in the Commission's Order if the proposed transaction is approved:

22. 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 Minnesota shall be absorbed by WEC Energy without recourse to, or reimbursement by, MERC. (Condition 46).

23. All books and records of all entities in the corporate structure, including the service company, shall be readily available for Commission and Department staff review in a reasonable manner, subject to approval by the Commission. (Conditions 82, 121).

24. If, in the future, Wisconsin Energy Group or its subsidiaries are down-sized in any significant way, the absolute cost allocation to MERC shall not increase unless the Petitioners demonstrate that the cost allocation is just and reasonable. (Condition 122).

25. The commission shall have approval authority over 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. (Condition 129).

26. Commission staff shall review MERC's Low Income Programs in future rate cases, to ensure that the programs continue to produce optimal benefits. (Condition 104).

27. MERC shall not defer transition costs. (Condition 135).

28. For severance and/or early termination costs the Petitioners shall provide detailed information in any rate proceeding on each instance of severance and/or early termination, including the position, the reasoning, the costs and savings, etc., in sufficient detail for the Commission to make a determination on whether the cost is an unrecoverable transaction cost or a transition cost. (Condition 139, 140).

Given that the Petitioners have already agreed that these conditions are required by Minnesota law, there is no reason that they should not also be specifically included in the Commission's Order if the proposed transaction is approved.

IV. THE OAG HAS CONCLUDED ITS REVIEW OF SEVERAL OPEN CONDITIONS.

During the dialogue with the Petitioners, the OAG indicated that it was continuing to review several conditions proposed in other jurisdictions. After completing its review, the OAG does not recommend any conditions related to the American Transmission Company.[6] The OAG also does not recommend any condition related to "most favored nation" status.[7] The "most favored nation" conditions generally would allow the Commission to add conditions after they are imposed by other jurisdictions. The OAG views the current process, where the Commission will review all conditions on their own merits rather than waiting for other jurisdictions to take

[6] MERC Update, Conditions 29–44.
[7] MERC Update, Conditions 45, 47, 48.

action, as an acceptable replacement for the "most favored nation" conditions discussed previously.

V. THE COMMISSION SHOULD IMPOSE ADDITIONAL CONDITIONS TO PROTECT THE INTERESTS OF MINNESOTA RATEPAYERS.

The conditions discussed above go some, but not all, of the way towards protecting ratepayers and ensuring that ratepayers share in the cost savings that will result if the proposed transaction is approved. Additional conditions are necessary to ensure that Minnesota ratepayers are not harmed by the impacts of the financial and operational reorganization of MERC's corporate parent. For that reason, the OAG recommends that the Commission adopt several additional conditions.

A. The Commission Should Require the Petitioners to Limit the Recovery of Transition Costs.

The OAG recommends that the Commission adopt a condition regarding transition costs. It appears that the Petitioners assign the costs of this business reorganization to three categories: the acquisition premium, transaction costs, and transition costs. The Petitioners have not defined these costs in this proceeding. In order to ensure that conditions related to the acquisition premium, transaction costs, and transition costs can be managed effectively, the OAG recommends that the Commission define transaction costs as those costs that are related to the closing of the proposed transaction, and define transition costs as costs to integrate or reorganize the utilities after the transaction is closed.

The Petitioners have already agreed that they will not recover any part of the acquisition premium or transaction costs from Minnesota ratepayers. The Petitioners have agreed to conditions regarding transition costs in other states. In Illinois, the Petitioners have agreed that

"transition costs may be recoverable to the extent that the transition costs produce savings."[8] In Wisconsin, the Petitioners have agreed that "WEPCO, WG, and WPSC can recover acquisition-related transition costs from the Wisconsin retail jurisdiction, only if and to the extent [that] . . . the acquisition-related savings realized by each utility's ratepayers are equal to or greater than its acquisition-related transition costs."[9] The premise of these conditions is sound, and the OAG recommends that the Commission adopt a similar condition for Minnesota.

In other states, the Petitioners have agreed that they will only be permitted to recover transition costs if they can demonstrate that the costs will produce acquisition-related savings that are greater than the costs. This condition makes sense. The transition costs would not exist if Integrys and WEC had not decided to merge, a business transaction which is not necessary for MERC, or any of the other utilities, to provide utility service. As such, the transition costs are not likely to be necessary for the provision of utility service and would be ineligible for recovery under traditional ratemaking principles. On the other hand, transition costs that will produce measurable cost savings for ratepayers are in the best interests of ratepayers, and encouraging Integrys and WEC to make cost-saving investments is sound policy. For that reason, the OAG recommends that the Commission adopt a condition similar to the conditions that the Petitioners have agreed to in other jurisdictions. The OAG recommends the following language be included in the Commission's Order:

> 29. MERC may request recovery of transition costs if and only to the extent that MERC can demonstrate that the transition costs produce acquisition-related savings that are greater than the transition costs.[10]

[8] Condition 23.
[9] Condition 138.
[10] The Petitioners' filing includes a slightly different version of this proposed condition that the OAG provided during a telephone conference on April 1, 2014. The OAG has made a non-substantive revision to the language in
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B. The Commission Should Require the Petitioners to Protect Ratepayers in the Event of Ratings Agency Downgrades.

In order for the proposed transaction to be consistent with the public interest, the benefits of the transaction must not be outweighed by the costs of the transaction. The Petitioners claim that one of the primary benefits of the transaction is that it will produce a "much stronger platform" for MERC. While the Petitioners have not explained the meaning of this claim, presumably it is related, to some extent, on the potential for the combined corporate entity to have greater access to capital markets. Parties in other jurisdictions, however, have expressed doubt about whether the proposed transaction will actually lead to improved access to capital, and in fact raise concerns that the new corporate entity could be subject to credit rating downgrades, leading to increased costs for capital.

According to Richard Hahn, an expert consultant testifying on behalf of the Wisconsin Citizen's Utility Board, the Petitioners have not produced any evidence that a larger company will lead to a better credit rating.[11] In fact, Mr. Hahn's independent analysis indicates that smaller utility companies may in fact have better credit ratings than larger utilities.[12] Mr. Hahn noted that Moody's, Standard and Poor's, and Fitch all downgraded WEC's ratings outlook shortly after the proposed transaction was announced.[13] Standard and Poor's downgraded Integrys in addition to WEC.[14] As Mr. Hahn noted, Standard and Poor's stated, "[T]he incremental debt associated with this transaction will weaken WEC's financial measures. Therefore, we believe that the company's consolidated financial risk profile could fall toward the

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order to bring it closer to conformity with a condition that the Petitioners have already agreed to in Wisconsin. (Condition 138).

[11] Hahn Direct, at 7–8.

[12] *Id.* at 8.

[13] *Id.* at 13.

[14] *Id.*

lower end of our 'significant' financial risk profile category, leaving little room for underperformance relative to our forecast."[15]

While some of these concerns may be specific to other jurisdictions, a ratings agency downgrade could turn one of the only potential benefits of this transaction into a significant detriment that will harm Minnesota ratepayers. If the proposed transaction leads to a credit rating downgrade, it would be the direct result of a business reorganization that is not necessary to provide natural gas service to MERC's ratepayers. Any ratings downgrade that results from this transaction should be the problem of shareholders, not ratepayers. For that reason, it is necessary to impose conditions to protect ratepayers in the event of a ratings agency downgrade.

The Commission reviewed similar issues when Otter Tail Power reorganized its corporate structure in 2009, in Docket Number E-017/PA-08-058.[16] Specifically, the Commission imposed several conditions related to capital structure and debt that are also appropriate in this case. The OAG recommends the following conditions to ensure that Minnesota ratepayers are held harmless from ratings agency downgrades and changes to MERC's capital structure:

> 30. MERC will not issue dividends if doing so would cause it to be out of compliance with the capital structure approved by the Commission pursuant to Minnesota Statutes section 216B.49.
>
> 31. MERC shall request and obtain Commission approval pursuant to Minnesota Statutes section 216B.48 and/or Minnesota Statutes section 216B.49 before it includes any debt provided by its parent companies in its capital structure.
>
> 32. If MERC's cost of debt increases during the next three calendar years, Minnesota ratepayers will be held harmless from any rate

[15] *Id.*
[16] Order Approving Reorganization, As Conditioned, *In the Matter of the Application of Otter Tail Corporation Under Minnesota Statutes, Section 216B.50 to Form a New Holding Company*, Docket No. E-017/PA-08-658 (Jan. 7, 2009).

impact unless MERC can demonstrate that its increased cost of debt was not caused by the proposed transaction.[17]

C. The Commission Should Require the Petitioners to Ensure Financial Protections for Consumers.

The OAG's primary concern with the proposed transaction is that the transaction, as it is currently structured, is designed to create value for shareholders but has no provision to share any benefits of the transaction with the ratepayers who support the Petitioners' business. The Petitioners have not quantified *any* financial benefit that will flow to ratepayers as part of the transaction. In fact, the Petitioners claim that they have not even studied the potential benefits of the transaction. This claim continues to be unreasonable. It is difficult to imagine that any business would even consider acquiring another business, especially one with a purchase price of more than $9 *billion*, without performing a financial benefits study.

Parties to parallel proceedings in other states have the same concerns. In Wisconsin, witnesses for Commission Staff and the Wisconsin Industrial Energy Group stated that, based on their experience, the Petitioners' claim that they have not studied the benefits of the transaction and have no plan for how to integrate the two companies is basically unprecedented.[18] Mr. Kevin O'Donnell, testifying on behalf of the Wisconsin Public Service Commission Staff, stated that "basic fiduciary duty" should have mandated that the Petitioners study the potential benefits of the transaction. Mr. Richard Hahn, testifying on behalf of the Wisconsin Citizen's Utility Board, stated that the lack of any identifiable financial benefits should be very concerning: since the Petitioners are not expecting to achieve synergy benefits from the transaction, the most likely source of funds to service the $1.7 million in debt necessary to complete the transaction will be

[17] The OAG views this condition as a replacement for conditions 58, 59, 60, and 61.
[18] Lane Kollen Direct Testimony, *Application of Wisconsin Energy Corporation For Approval of a Transaction by which Wisconsin Energy Corporation Would Acquire All of the Outstanding Common Stock of Integrys Energy Group, Inc.*, Wisc. Pub. Svc. Comm'n Docket No. 9400-YO-100, at 5.

increased profit, dividends, and cash flow from regulated subsidiaries.[19] Michael P. Gorman, testifying in Illinois, agrees with Mr. Hahn that the new entity's only source of cash to service the acquisition debt will be to draw cash from utility subsidiaries like MERC.[20]

The concerns of the parties in other states are supported by academic research. The OAG previously provided academic research concluding that the primary "role of utility mergers is to obtain synergies."[21] According to the study cited in the OAG's Initial Comments, utilities that merge "project estimated synergies net of the expected premia they will pay to the target," or they would not enter into the transactions.[22] The Petitioners' claim that they have not studied the possible synergy benefits of the transaction does not change the fact that synergy benefits exist,[23] and that they should be shared with ratepayers.

As a result of these concerns, parties in other states have a broad spectrum of financial conditions to ensure that the benefits of the proposed transaction are shared with ratepayers, not just with shareholders. In both Illinois and Wisconsin, parties have recommended that the Commission freeze rates for either two or five years to ensure that ratepayers are not harmed by the transaction.[24] Parties in both Wisconsin and Illinois have also recommended limitations on

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[19] Richard Hahn Direct Testimony, *Application of Wisconsin Energy Corporation For Approval of a Transaction by which Wisconsin Energy Corporation Would Acquire All of the Outstanding Common Stock of Integrys Energy Group, Inc.*, Wisc. Pub. Svc. Comm'n Docket No. 9400-YO-100, at 13.

[20] Michael P. Gorman Direct Testimony, *Wisconsin Energy Corporation, Integrys Energy Group et al's 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 other such approvals as may be required under the Public Utilities Act to effectuate the Reorganization*, Illinois Commerce Commission, Docket No. 14-0496, at 14.

[21] David A. Becher, J. Harold Mulherin, and Ralph Walking, Sources of Gains in Corporate Mergers: Refined Tests from a Neglected Industry 34, J. FIN. AND QUANTITATIVE ANALYSIS (forthcoming), available at http://ssrn.com/abstract=169901, attached as Exhibit D to OAG Initial Comments (Oct. 20, 2014).

[22] *Id.* at 27.

[23] If, in fact, synergy benefits do not exist, then the Petitioners' decision to enter into this transaction would be highly questionable, because there will be limited opportunities to recoup the billions of dollars that are necessary to close the transaction.

[24] MERC Update, Conditions 7 and 133; *see also* Michael P. Gorman Direct Testimony, *Wisconsin Energy Corporation, Integrys Energy Group et al's Application pursuant to Section 7-204 of the Public Utilities Act for*

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when regulated subsidiaries can be required to pay dividends to corporate parents.[25] In addition, parties in Wisconsin have recommended that the relevant Wisconsin utilities be subjected to earnings caps following the transaction.[26] Parties in Wisconsin have also recommended millions of dollars in direct bill credits immediately upon the close of the transaction.[27] These conditions are primarily designed to resolve parties concerns by ensuring that ratepayers share in the financial benefits up-front.

In this proceeding, the OAG has recommended that the Petitioners be required to actually produce the cost savings that they claim the transaction will create, and that they be held accountable if they fail to do so. On the spectrum of financial recommendations raised in the parallel proceedings, the OAG's recommendation is significantly less onerous for the Petitioners because it allows them to produce synergy savings over time, instead of up-front, and does not limit the regulatory tools available to the Petitioners. As the OAG noted in its previous comments, "The proposed merger will undoubtedly result in benefits for the utilities, holding companies, and shareholders, or presumably the companies would not agree to the transaction."[28] The OAG's recommendation is that those benefits be shared with the ratepayers who form the foundation of the utilities' business model.

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authority to engage in a Reorganization, to enter into agreements with affiliated interests pursuant to Section 7-101, and for other such approvals as may be required under the Public Utilities Act to effectuate the Reorganization, Illinois Commerce Commission, Docket No. 14-0496, at 10.

[25] MERC Update, Conditions 59, 60, and 61; *see also* Michael P. Gorman Direct Testimony, *Wisconsin Energy Corporation, Integrys Energy Group et al's 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 other such approvals as may be required under the Public Utilities Act to effectuate the Reorganization*, Illinois Commerce Commission, Docket No. 14-0496, at 21–22.

[26] MERC Update, Condition 62, 63

[27] MERC Update, Condition 130.

[28] OAG Initial Comments, at 13 (Oct. 20, 2014).

It is important that the Commission take action to require that MERC demonstrate actual savings as a result of the proposed transaction because utilities, like MERC, can request full recovery of their O&M expenses. An economically efficient utility has little incentive to control O&M expenses or take steps to reduce them, because the utility will request recovery of O&M from ratepayers regardless of whether cost savings were achieved. If the O&M expenses increase by 5 percent, or if they increase by 1 percent because of achieved cost savings, the utility will ask the ratepayers to pay—either way, the ratepayers will be footing the bill. As a result, it is necessary to incentivize MERC and its corporate parents to actually produce the savings that *should* result from the proposed transaction. Creating milestones, as the OAG has recommended, will incentivize MERC to produce the O&M savings that are necessary to balance the financial interests of the proposed transaction. If the savings fail to materialize, then ratepayers will have no financial benefit from the transaction to balance the significant benefits for shareholders.

The OAG recommends that the Commission require MERC to demonstrate at least $2 million annually in ratepayer savings by 2018 as a direct result of the proposed transaction. The Commission applied a similar condition in the merger of Northern States Power and New Century Energy. In that case, the Commission ordered that "NSP must demonstrate that the projected merger savings for the proposed test year have been achieved . . .; if the savings have not been achieved, the Commission may impute the projected savings shortfall into revenues."[29] A similar condition is appropriate in this case, for all of the reasons discussed above. The Petitioners claim that they expect anticipated savings of three to five percent in non-fuel O&M

[29] Order Approving Merger, as Conditioned, *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E,G-002/PA-99-1031, at 10 (June 12, 2000).

over a five to ten year ramp-up period.[30] Based on MERC's non-fuel O&M in its pending rate case, savings of three to five percent would be between $1.35 million and $2.26 million a year, without accounting for present value. Setting an expectation of $2 million in savings is a reasonable balancing point. The OAG recommends that the Commission impose the following condition:

> 33. In any general rate case filed after 2018, MERC must demonstrate $2 million annually in ratepayer savings as a direct result of the proposed transaction. If MERC fails to do so, the Commission may impute the projected savings shortfall into revenues.

VI. CONCLUSION

Minnesota law provides that mergers, like the proposed transaction, may not be approved unless they are consistent with the public interest. As it is currently structured, the proposed transaction is not consistent with the public interest because it will create significant value for the shareholders of WEC and Integrys, but will not share any benefits with ratepayers. As a result, the OAG recommends that the Commission approve the proposed transaction only with the conditions discussed above.

[30] Department IR 4, attached as Exhibit E to the OAG's Initial Comments.

Dated: April 20, 2015

Respectfully submitted,

LORI SWANSON
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s/ **Ryan Barlow**
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April 20, 2015

Mr. Daniel 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.***
MPUC DOCKET NO. G011/PA-14-664

Dear Mr. Wolf:

Enclosed and e-filed in the above-referenced matter please find Comments of the Minnesota Office of the Attorney General – Residential Utilities and Antitrust Division.

By copy of this letter all parties have been served. An Affidavit of Service is also enclosed.

Sincerely,

s/ Ryan P. Barlow

RYAN P. BARLOW
Assistant Attorney General

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Enclosures
cc: Service List

RE: ***In the Matter of the Report of Minnesota Energy Resources Corporation on the Merger of Wisconsin Energy Corporation and Integrys Energy Group, Inc.***
MPUC DOCKET NO. G011/PA-14-664

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

I hereby state that on the 20th day of April, 2015, I e-filed with eDockets **Comments of the Minnesota Office of the Attorney General – Residential Utilities and Antitrust Division** and served the same upon all parties listed on the attached service list via electronic submission and/or United States Mail with postage prepaid, and deposited the same in a U.S. Post Office mail receptacle in the City of St. Paul, Minnesota.

See Attached Service List

s/ Judy Sigal
JUDY SIGAL

Subscribed and sworn to before me
this 20th day of April, 2015.

s/ Patricia Jotblad
Notary Public
My Commission expires: January 31, 2020.

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