

Direct Testimony and Schedules  
Tracy L. Kupsh

Before the Minnesota Public Utilities Commission  
State of Minnesota

In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to  
Increase Rates for Natural Gas Service in Minnesota

Docket No. G011/GR-13-617

Exhibit \_\_\_\_\_

**Integrys Business Support Cost Allocation Methodology**

September 30, 2013

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Tracy L. Kupsh. My business address is Integrys Energy Group, Inc.  
4 (“Integrys”), 700 North Adams Street, P.O. Box 19001, Green Bay WI 54307-9001.

5  
6 Q. PLEASE DESCRIBE YOUR EDUCATIONAL, PROFESSIONAL, AND UTILITY  
7 BACKGROUND.

8 A. I graduated from Lakeland College of Sheboygan, Wisconsin in 1996 earning a Bachelor  
9 of Arts degree with a major in Accounting and a minor in Economics. After spending 19  
10 years working for Unilever, a world wide consumer goods company, in various cost  
11 accounting positions, I accepted my current position with Integrys Business Support,  
12 LLC (“IBS”) on December 1, 2008.

13  
14 My duties and experience as Director - Operations Accounting for IBS include the review  
15 and approval of monthly financial statements of IBS and the associated cross charges to  
16 the various regulated affiliates, including Minnesota Energy Resources Corporation  
17 (“MERC”), the coordination and/or participation in the preparation of the affiliates’  
18 Operations & Maintenance (“O&M”) and Capital budgets, and the analysis of variances  
19 between forecasted and actual financial results of IBS.

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21 Q. ON WHOSE BEHALF ARE YOU OFFERING THIS TESTIMONY?

22 A. I am offering this testimony on behalf of MERC.

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Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of this testimony, is to:

1. Provide an overview of the basic philosophy and goals of IBS’s business operations,
2. Describe the corporate structure of IBS and the services IBS provides to its affiliates, and
3. Describe the various cost allocation methodologies and formulas that determine the costs paid by Integrys affiliates for the services provided by IBS.

Q. HAS MINNESOTA RECOGNIZED THE COST ALLOCATION METHODOLOGIES ESTABLISHED IN THE REGULATED AIA?

A. Yes, the Regulated AIA, including the cost allocation methodologies and formulas established therein, was originally approved by the Minnesota Commission in Docket No. G-007,011/AI-07-779, on March 5, 2008. Subsequent changes to Exhibits B and C of the Regulated AIA were approved in Docket No. G007, 011/AI-08-1376 on May 26, 2009, in Docket No. G-007,011/AI-09-1244 on May 17, 2011, in Docket No. G-007,011/AI-11-168 on May 17, 2011, and in Docket No. G-007,011/AI-12-910 on July 3, 2013. Later in my testimony I address how the changes in Docket No. G-007,011/AI-12-910 have affected IBS cost allocations. My testimony supports the reasonableness of the cost allocation factors used in setting rates in this rate case.

Q. HAVE OTHER STATE COMMISSIONS RECOGNIZED THE COST ALLOCATION METHODOLOGIES ESTABLISHED IN THE REGULATED AIA?

1 A. Yes, the Regulated AIA, including the cost allocation methodologies and formulas  
2 established therein, have been recognized by the Public Service Commission of  
3 Wisconsin, the Illinois Commerce Commission, and the Michigan Public Service  
4 Commission when determining the revenue requirements for Integrys utilities operating  
5 in those jurisdictions.

6  
7 Q. DOES MERC SEEK TO OTHERWISE RECOVER THE COSTS ALLOCATED TO  
8 THE COMPANY UNDER THE REGULATED AIA IN THIS RATE CASE?

9 A. Yes. The MERC 2014 gas revenue requirement includes actual amounts charged in  
10 2012, inflated to 2014, and adjusted for known and measurable changes for the services  
11 that IBS provides to MERC as described in the direct testimony of Mr. Seth DeMerritt.  
12 These amounts include costs that are directly assigned to MERC as well as costs that are  
13 assigned to MERC using cost-causal allocators, with the exception of the  
14 General/Corporate Allocator. MERC does not seek to recover the difference in costs  
15 calculated using the General/Corporate Allocation method in the Regulated AIA and the  
16 Commission's preferred general allocation method. The two methods produced similar  
17 results with a difference between the two methods of \$3,314 in 2012. MERC is seeking  
18 to recover the smaller amount provided by the Commission's preferred allocation method  
19 in this rate case.

20

1 **II. BASIC PHILOSOPHY OF IBS**

2 Q. PLEASE DESCRIBE THE PHILOSOPHY AND GOALS UNDERLYING THE  
3 OPERATION OF IBS.

4 A. IBS strives to be a leading service company provider of innovative and cost-effective  
5 support services and solutions to its affiliates. The company focuses on the following  
6 four areas:

7 Customer Focus: Maintaining and demonstrating an in-depth understanding of  
8 Integrys' businesses; developing and delivering innovative, high-value services  
9 that address business issues; and assisting the businesses in achieving their goals;

10  
11 Service Delivery: Delivering high-quality and cost-effective services in a timely  
12 manner; proactively developing, in partnership with its internal customers, new  
13 and innovative services and solutions that address business needs; and leveraging  
14 technology and process excellence across its various service categories;

15  
16 Cost Management and Value Creation: Continually seeking ways to improve  
17 processes and reduce costs, opportunities to invest in people, processes and  
18 technology that result in meaningful value creation for our business partners and  
19 stakeholders; and

20  
21 Employee Engagement: Maintaining a high-performance culture and staff that  
22 exhibit strong technical skills, an in-depth knowledge of the business, and a  
23 business mindset.  
24

25 Integrys operates six utilities across four states, and has a number of non-regulated  
26 subsidiaries. As a centralized service company, IBS strives to achieve economies of  
27 scale by leveraging employees and management across many affiliates and businesses.  
28 Such leveraging reduces the holding company's system-wide costs, and allows those  
29 costs to be shared among a larger number of affiliates.  
30

1 **III. IBS STRUCTURE AND SERVICES PROVIDED**

2 Q. PLEASE BRIEFLY DESCRIBE THESE VARIOUS UNITS OF IBS.

3 A. Below I show the various IBS units along with examples of the Administrative & General  
4 services offered by each unit:

- 5 • **Administrative** – Facility services, security services, work space  
6 management services and printing services.  
7
- 8 • **Environmental** – Environmental planning, permitting, licensing,  
9 compliance services, waste management and emergency response.  
10
- 11 • **CFO Services** – Accounting, treasury, tax, internal audit, rate case  
12 management and related financial services.  
13
- 14 • **Human Resources** – Payroll processing, benefit administration, employee  
15 training and development, employee communications, labor relations, and  
16 recruiting and staffing.  
17
- 18 • **Information Technology** – Computer operations, software development  
19 and maintenance, network support, end-user support, database  
20 administration, information systems security, desktop, website, project,  
21 infrastructure and telephony services.  
22
- 23 • **Project Services** – Project management and support, business case  
24 development, competitive excellence concept development, portfolio  
25 management and Dam safety program management  
26
- 27 • **Legal Services** – General legal services, insurance, claims, corporate  
28 records, and compliance services.  
29
- 30 • **Supply Chain** – Sourcing, fleet and materials management services.  
31
- 32 • **Utility Services** – Engineering services, planning and operation of gas  
33 distribution systems, performing operational reviews of completed  
34 construction, maintenance work of gas distribution lines and operating  
35 meter shops, gas competitive excellences stewardship support and project  
36 management for gas distribution projects, gas supply (A&G and  
37 ministerial) services, and utility customer relations services such as meter  
38 reading, billing, credit, collections, call center operations, customer  
39 relations, revenue assurance, account management, market research, and  
40 customer strategy.

- **External Affairs** – Government and public relations, analysis and formulation of company-wide policies and objectives, preparation and dissemination of information for employees, customers, government officials, media and the public.
- **Corporate Functions** – Executive management and oversight, corporate secretary services, corporate-level human resources services, corporate-level business development services.

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11 Q. PLEASE DESCRIBE THE REGULATED AIA, PURSUANT TO WHICH IBS  
12 PROVIDES “SHARED” OR “INTER-COMPANY” SERVICES TO THE UTILITY  
13 OPERATING COMPANIES WITHIN THE INTEGRYS HOLDING COMPANY  
14 SYSTEM.

15 A. Under the Regulated AIA, which is attached as Exhibit \_\_\_\_\_ (TLK-1), IBS provides the  
16 services listed above and in Exhibit B of the Regulated AIA. Exhibit \_\_\_\_\_ (TLK-1)  
17 includes the Regulated AIA as originally approved by the Commission, and the current  
18 text of Exhibits B and C as approved by the Commission in its most recent order  
19 approving changes to the Regulated AIA. Generally, these services comprise common  
20 A&G business activities that each affiliate would need to provide internally, or procure,  
21 in order to operate its business. IBS may also provide additional services that the  
22 regulated affiliate may request and that IBS can reasonably provide in a cost-effective  
23 manner consistent with applicable law.

24  
25 IBS recovers all of its costs of providing these services by direct billing the regulated  
26 affiliate whenever practicable. Where direct billing is not practicable, IBS bills affiliates  
27 pursuant to the cost allocation factors set forth in Exhibit C of the Master AIA. Services  
28 are provided at cost, including direct and indirect labor and overheads, and other cost



1 loaders. The Allocation Factors described in Exhibit C to the Regulated AIA are  
2 designed to match the costs of the services performed with the entity or entities for which  
3 the services are performed. The basic premise underlying the allocation methodology  
4 and factors is to regularly zero-out the allocated IBS costs of each “home center” (a  
5 departmental or operational unit of IBS).

6  
7 The cost of maintaining assets, the associated depreciation expense, and a return on the  
8 net assets are based on the factors identified in Exhibit \_\_\_\_\_ (TLK-2).

9  
10 Q. DOES IBS PROVIDE SERVICES TO ITS NON-REGULATED AFFILIATES?

11 A. Yes, it does, pursuant to a separate, Non-Regulated AIA that is substantially similar to  
12 the regulated AIA. As explained below, the Gas Supply Group within IBS provides  
13 services only to the regulated operating companies. The Gas Supply Group’s operations,  
14 as required by law, are kept separated from the non-regulated gas and electric business of  
15 Integrys Energy Services (“Integrys Energy”) and its subsidiaries.

16  
17 Q. ARE THE PARTIES TO THE NON-REGULATED AIA CHARGED “AT COST” FOR  
18 SERVICES RENDERED AS ARE THE PARTIES TO THE REGULATED AIA?

19 A. Yes, they are. The Allocation Factors relevant to the provision of services by IBS is the  
20 same under both AIAs. IBS provides all of its services “at cost,” which IBS must  
21 regularly justify as part of its annual cost study or study-update work. Therefore, IBS’s  
22 billings to non-regulated affiliates are based on either direct or allocated cost, just like its  
23 billings to regulated affiliates. The Allocation Factors are the same under both AIAs.

1 The regulated businesses of IBS cannot subsidize its non-regulated affiliates. IBS  
2 developed the Allocation Factors to ensure that all costs incurred by IBS are recovered  
3 from the entity or entities who originated such costs, and in proportion to their share of  
4 the whole.

5  
6 Q. WHAT SERVICES DOES IBS PROVIDE TO ITS REGULATED AFFILIATES  
7 UNDER THE REGULATED AIA?

8 A. These are listed and described, by category, in Exhibit B to the Regulated AIA.  
9 Generally these services comprise common A&G business activities that each affiliate  
10 would need to internally provide or procure to operate its business.

11  
12 Q. THE SERVICES ON EXHIBIT B OF THE REGULATED AIA APPEAR TO BE  
13 TYPICAL A&G FUNCTIONS, EXCEPT FOR SOME THAT ARE DESCRIBED  
14 ABOVE AS "UTILITY SERVICES." WHY ARE THESE UTILITY SERVICES  
15 PROVIDED BY IBS?

16 A. The IBS Utility Services unit provides the administrative oversight of the utility  
17 engineering, gas supply and certain customer relations functions to Integrys' regulated  
18 utilities. These services are not provided to Integrys' non-regulated subsidiaries. Thus,  
19 for example, the non-regulated subsidiaries have no access to utility customer  
20 information through IBS' provision of customer relations services. The IBS Gas Supply  
21 area does not own any gas storage assets or gas supply or pipeline transportation  
22 contracts -- these contracts and assets continue to be owned separately by the utility that  
23 contracted for those services or that owns the storage assets. Each operating company

1 selects and maintains its own separate portfolio. Each operating company has an IBS-  
2 employed manager or director over its gas supply portfolio. IBS does, however, manage  
3 these various commodity and capacity contracts. Combining these functions into a single  
4 entity provides for more cost effective and consistent processes across the companies.  
5

6 Q. WHAT HAS BEEN CHARGED FROM IBS PROJECT SERVICES TO MERC USING  
7 THE 'SPECIFIC PROJECT ASSIGNMENT' AS OUTLINED IN THE MPSC  
8 RESPONSE (DATED MARCH 29, 2011) TO THE MERC PETITION THAT WAS  
9 FILED ON FEBRUARY 28, 2011?

10 A. Attached Exhibit \_\_\_\_\_ (TLK-3) provides the 2011 and 2012 description and explanation  
11 of projects worked on by Project Services and allocated to the affiliates, including  
12 MERC. Prior to 2011 the Project Services area did not perform project work for IBS,  
13 therefore no project costs were allocated to MERC. In 2011 Project Services began  
14 project work that creates procedures and processes that are corporate wide (benefiting  
15 more than one Affiliate). These projects ensure that Integrys continues to achieve  
16 economies of scale. The purpose of the Project Services group is to provide project  
17 management functions throughout the project life cycle from problem definition and  
18 concept development to project execution and performance validation. The approved  
19 allocations were chosen based on the activity that drives the cost of the service. As a  
20 result, the allocation links the costs related to a specific type of service to the customer  
21 receiving such service.  
22

1                   **IV. AIA COST ALLOCATION APPROACH AND METHODOLOGY**

2    Q.    WHAT IS THE UNDERLYING GOAL THAT GUIDES THE ALLOCATION OF  
3            COSTS INCURRED BY A CENTRALIZED SERVICE COMPANY?

4    A.    The basic premise underlying the allocation methodology and factors we developed is to  
5            regularly “zero-out” each IBS “home center” (a departmental or operational unit of IBS)  
6            each month. Each month, all operating costs incurred by IBS are recovered, in total,  
7            from its regulated and non-regulated affiliates. This occurs by direct billing whenever  
8            appropriate, and otherwise by allocating costs on a cost-causal basis to the service takers  
9            within the holding company system.

10  
11           The Allocation Factors described in Exhibit C to the Regulated AIA are designed to  
12           match the costs of the services performed with the entity or entities for which the services  
13           are performed. The Allocation Factors only come into play for costs which are not  
14           directly billed to an affiliate.

15  
16    Q.    PLEASE DESCRIBE THE PROCESS IBS FOLLOWS WHEN IT DIRECTLY BILLS  
17            ITS COSTS TO AN AFFILIATE.

18    A.    Direct billing involves a full, 100% assignment of the costs associated with a specific  
19            service to the customer receiving the service. These costs include overhead charges to  
20            reflect the complete cost of providing the service. An example of this would be direct  
21            labor charges for an IBS engineer who is assigned to a specific project for one of the  
22            affiliates. The costs associated with the engineer’s service would be directly charged and  
23            billed to that affiliate for each month that the service was being provided.

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In cases where direct charging is not appropriate or practical, costs are allocated using cost/causation principles linked to the relationship of that type of service. This allocation methodology reflects operational aspects of the charge, and applies costs in a meaningful and impartial way by allocating costs to the entities receiving or benefitting from the services provided. The remaining allocations are broad based, using the General/Corporate allocator that I describe later in my testimony.

The primary focus of IBS' cost allocation methodology is to direct charge as many costs as reasonably possible.

Q. CAN YOU GIVE EXAMPLES OF EACH TYPE OF ALLOCATION?

A. Yes and I will do so by describing three typical services that IBS provides. The first service is provided by the Property Accounting home center. Most of the activity in this home center is allocated through direct billing. However, certain activities, such as processing the automated depreciation calculation each month, benefit all companies. Therefore time spent on that activity is recorded in a general departmental activity "cost pool" that is allocated based on each company's Property Plant & Equipment ("PP&E") balances.

Most of the costs for services provided by the Accounts Payable home center are allocated through a cost-causal factor: the number of invoices processed. Although invoice processors could track their time based on the owner of each invoice, that

1 approach is not practical because the costs of doing so would be disproportionate to the  
2 billing precision that would be obtained. Instead, the time spent on invoice processing  
3 generally is recorded in the general departmental activity “cost pool” and allocated based  
4 on each affiliate’s number of invoices. If an employee of Accounts Payable works on a  
5 significant separate project for one or more affiliates, that time is tracked and billed  
6 directly to the project, and those costs are direct billed to the appropriate affiliate. These  
7 costs are then excluded from the costs allocated through the cost-causal factor.

8  
9 Finally, the cost of the Investor Relations activity is allocated via the General/Corporate  
10 allocator. The activities performed by this home center benefit all Integrys affiliates.

11  
12 Q. ARE ADDITIONAL COSTS LOADED INTO THE LABOR ALLOCATIONS?

13 A. Yes. With all services, the labor billed to affiliates, whether direct or allocated, includes  
14 a labor loading. There are three labor-related loaders. The first is a benefits loader and  
15 includes costs for pension, health coverage, life insurance, vacation, disability, payroll  
16 taxes and other similar or related costs. The second loader is designed to capture the cost  
17 of providing work space for the employees performing the service. These costs include  
18 lease costs or operating costs if the space is owned, depreciation and return on the  
19 building or leasehold improvements, depreciation and return on furniture, PCs, common  
20 printers/copiers, etc. If another entity is sharing this space with IBS, then an adjustment  
21 for billing to that entity would take place prior to calculating a work space overhead. The  
22 third is an incentive loader which captures the costs of the pay-at-risk compensation for

1 the IBS non-union employees. This incentive pay allows regular employees performing  
2 services to maintain pay and benefits that are competitive at the median of the market.

3  
4 Q. HOW ARE LABOR COSTS AND RELATED LOADERS TRACKED?

5 A. When the affiliates are billed, labor costs are “loaded” to calculate the average cost per  
6 hour actually worked by any given IBS employee. To support this process, all IBS  
7 personnel report their time reflecting the actual time worked on each IBS service  
8 provided.

9  
10 Our ultimate goal, which is a FERC requirement for centralized service companies, is to  
11 be as transparent as possible in accurately reflecting all costs reasonably incurred by or  
12 on behalf of IBS in its provisions of services to its customers. This is particularly true  
13 with respect to labor costs, which comprise a significant portion of IBS’ monthly  
14 expenses.

15  
16 Q. WHAT OTHER COSTS ARE ALLOCATED TO AFFILIATES?

17 A. In addition to labor and contract labor costs, each home center incurs general costs  
18 related to running a department. This includes office supplies, administrative time and  
19 training, among other costs. These costs are allocated to the affiliates in the same  
20 proportion as the direct and cost-causal labor charged to them. That is, the costs are  
21 accumulated at the higher-level functional categories, and then allocated based on the  
22 percentage of labor billings to each of the affiliates at each of the high levels. By doing  
23 this, these “general costs” are charged to the affiliates in a cost-causal manner.

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In addition to general use office space and equipment, other assets including systems and special use assets (e.g., print shop assets) are owned and used by IBS to provide services to its affiliates. Depreciation expense and a return on assets, along with the cost to maintain these assets, are allocated based on the factors indicated on Exhibit\_\_\_\_\_ (TLK-2).

Home centers within IBS also provide services for other home centers within IBS. The cost of those activities is charged to an IBS entity level home center. Each month, The total cost charged to this home center is then allocated each month to each affiliate based on the ratio of all other labor charges to each affiliate as compared to the whole of such labor charges. This allocation happens after the other home centers have billed but before the final billing is calculated, as described below. In this manner, IBS’s own internal “cost of doing business” is allocated and charged to the affiliates in a cost-causal manner – in proportion to all other labor billings by IBS to each of its affiliates in a given billing period.

In addition to the above costs, a return on working capital is allocated to all affiliates, and IBS may also incur miscellaneous costs not related to specific services. The working capital return, miscellaneous costs, operational home centers not fully “zeroed-out”, and any differences between actual overhead costs incurred and overhead costs billed, are allocated to affiliates each month based on the ratio of all other charges to each affiliate as compared to the whole of such charges.



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Home centers within IBS may also procure products and services for the benefit of individual affiliates, and in such cases the associated costs are billed directly to the affiliates. Contracted labor and professional services procured to assist a home center in providing services are billed based on work performed, similar to internal labor allocations but excluding labor overhead.

Q. PLEASE DESCRIBE THE GENERAL/CORPORATE ALLOCATOR.

A. The General/Corporate allocator is used for the allocation of costs across the Integrys holding company system in cases where a service provides system-wide benefits, or in any event where the cost is driven by the holding company system as a whole rather than any particular entity.

Q. WHICH COSTS ARE SUBJECT TO ALLOCATION BY THE GENERAL/CORPORATE ALLOCATOR?

A. The General/Corporate allocator is used to allocate costs of certain products and services for which no direct charging method or cost-causal method has been determined to be practical or appropriate (as described in Exhibits B and C to the AIA).

Q. WHAT COST FACTORS GO INTO THE CALCULATION OF THE GENERAL/CORPORATE ALLOCATOR?

A. There are two factors that are calculated for each entity within the Integrys holding company system (including IBS):

- 1 1. Total assets, and
- 2
- 3 2. Total non-fuel operations and maintenance (“O&M”) costs.
- 4

5 For each factor a percentage is calculated to determine the individual company’s portion  
6 of the total dollars in that factor. The average of these two percentages for an entity is  
7 that entity’s allocation percentage, or factor, for the General/Corporate allocator.

8  
9 For both the Cost Causal Allocation Factors and the General/Corporate allocator, a  
10 “percentage of the whole” determination is used, such that the percentage charged to an  
11 entity is based on that entity’s units in the numerator, and the denominator is the sum  
12 total of such units for all entities within the holding company system who take the  
13 particular service for which the Allocation Factor is being utilized.

14  
15 Q. ARE THE COSTS FOR SERVICES IDENTIFIED IN EXHIBIT B OF THE MASTER  
16 AIA SUBJECT TO THE GENERAL/CORPORATE ALLOCATOR, THE TYPE OF  
17 COSTS THAT YOU WOULD EXPECT TO BE ALLOCATED IN THIS MANNER?

18 A. Yes, they are. For example, the costs of corporate governance and investor relations are  
19 services that benefit all Integrys subsidiaries, but for which there is no direct way to  
20 associate costs with individual subsidiaries other than by way of overall measure of  
21 relative size and activity. The General/Corporate allocator is representative of the  
22 complexity, risk, and overall business activity levels that drive corporate governance and  
23 investor relations. It also allows for a uniform allocation methodology for financial  
24 reporting and regulatory purpose. The two factor allocation described above as the

1 General/Corporate allocator has been recognized for use in the other three state  
2 commissions where Integrys provides service and by the FERC.

3  
4 Q. IN CALCULATING THE TOTAL ASSETS, HOW DO YOU ACCOUNT FOR  
5 DERIVATIVE ASSETS, GOODWILL AND OTHER “NON-ORDINARY” ASSETS?

6 A. These types of assets are excluded from the total asset amounts for the purpose of  
7 calculating the General/Corporate allocator. In the case of derivative assets, accounting  
8 rules require the valuation of these contracts for each reporting period prior to actual  
9 settlement of the contract. As commodity prices change, the value of these assets will  
10 also change with no real change in the relative value of each affiliate to the other  
11 affiliates. In the same way, certain companies may have booked goodwill due to the fact  
12 that they were acquired by Integrys. Other companies may have a similar but unrecorded  
13 intrinsic value, therefore such items are excluded from this in order to result in a more  
14 appropriate cost allocation.

15  
16 Q. PLEASE DESCRIBE THE COSTS THAT ARE INCLUDED IN THE NON-FUEL  
17 O&M CALCULATION.

18 A. All O&M costs (whether regulated or non-regulated) are included in this category.  
19 Examples of such costs include O&M labor, materials, and outside services. As noted  
20 earlier, fuel, cost of goods sold, purchased power and similar costs are not included in  
21 these allocation calculations. Additionally, marked-to-market gains or losses recorded in  
22 O&M, if any, are excluded.

23

1 Q. WHY DOES INTEGRYS BELIEVE THIS METHODOLOGY IS APPROPRIATE FOR  
2 THE GENERAL/CORPORATE ALLOCATOR?

3 A. There is no “right answer” that works for every holding company system. Instead, the  
4 appropriate general allocator depends on the unique facts and circumstances of each  
5 holding company system. This is confirmed by FERC’s Uniform System of Accounts  
6 (“USOA”) (18 CFR § 367.28) for centralized service companies, which requires IBS to  
7 create a cost accumulation system and identify methods of allocation, but does not  
8 prescribe any specific allocation methodology.

9  
10 The two allocation factors that IBS chose, total assets and O&M costs, are considered  
11 proxies for the relative size of each affiliate as well as the activities that support each  
12 affiliate. While the corporate oversight and compliance required for any individual entity  
13 has both fixed and variable aspects, a large asset base can add specific risk and oversight  
14 needs as well as access to capital markets. Likewise, the overall costs to run a business,  
15 i.e., O&M, requires differing degrees of oversight (e.g., larger and more complex  
16 contracts, more employees, etc.). Integrys believes that total assets and O&M costs  
17 provide a fair allocation of costs when using the General/Corporate allocator.

18  
19 Q. HOW REGULARLY ARE THE VARIOUS ALLOCATION INPUTS AND FACTORS  
20 RE-CALCULATED?

21 A. The allocation inputs and factors that will be used in any calendar year are calculated  
22 during the preparation of the annual budget for that year. Most of these inputs and  
23 factors are based on the most recent month-end balance or last twelve full months of

1 activity, as appropriate. Labor overhead rates, however, are based on projections of labor  
2 and overhead costs in the budgeted calendar year.

3  
4 The factors and inputs are modified during the calendar year only if significant changes  
5 in actual or anticipated activity were to occur.

6  
7 Q. HOW DOES IBS ALLOCATE COSTS FOR SERVICES THAT IT PERFORMS FOR  
8 THE INTEGRYS HOLDING COMPANY ITSELF (E.G., SERVICES RELATED TO  
9 THE FACT THAT INTEGRYS IS A PUBLICLY-TRADED ENTITY)?

10 A. For the sake of efficiency, these costs are allocated by IBS to the affiliates (including  
11 Integrys itself) because the functions benefit all affiliates. Another option would be to  
12 first charge such costs to Integrys and then have Integrys bill its various subsidiaries, but  
13 this would not be consistent with our centralized service company approach, nor with the  
14 fact that we have structured our shared services organization such that Integrys officers  
15 and personnel are IBS employees. Also, if we did this, Integrys would use the same  
16 allocation factors and methodologies used by IBS to recover all allocable costs from its  
17 subsidiaries, so the result would be to add a series of unnecessary and duplicative steps to  
18 the process with no difference in the ultimate results.

19  
20 Integrys is allocated a portion of all other relevant and applicable costs that are allocated  
21 via the appropriate Allocation Factor (including the General/Corporate allocator for many  
22 services), and such allocated costs are also charged to and remain at the holding company

1 level. Any costs that are not allocable by Integrys to its subsidiaries (for example, most  
2 business development costs) are charged to and remain at the holding company level.

3  
4 Q. YOU INDICATED THAT IBS IS ALLOCATED CERTAIN COSTS AS PART OF THE  
5 GENERAL/CORPORATE ALLOCATOR. ARE THOSE COSTS THEN RE-  
6 ALLOCATED BY IBS TO THE AFFILIATES, SO THAT IBS CAN “ZERO-OUT”  
7 ALL OF ITS COSTS?

8 A. Yes, they are. IBS recovers, from its affiliates, the costs allocated to it under any  
9 Allocation Formula. This occurs as part of the final calculation of the various  
10 percentages (adding up to 100% in every case).

11  
12 This is appropriate because IBS was formed to provide, at cost, cost-effective inter-  
13 company services. IBS allows Integrys customers to optimize the level of net savings  
14 and benefits that result from a centralized service company. Therefore, it is appropriate  
15 for IBS to recover all of its reasonably incurred costs from the affiliates.

16  
17 Q. PLEASE DESCRIBE THE FEDERAL REGULATION OF IBS.

18 A. IBS is a “centralized service company” subject to FERC regulation and regulatory  
19 requirements, including the USOA promulgated by FERC for such entities. This  
20 exhaustive USOA, modeled after that used by utilities, is found in 18 CFR Part 367. IBS  
21 must also follow the detailed record retention requirements promulgated by FERC at 18  
22 CFR Part 368. Finally, IBS must file a detailed annual report with FERC, the FERC  
23 Form No. 60 (18 CFR Part 369), the annual report required of all centralized service

1 companies containing financial reporting tied to USOA accounts as well as reporting  
2 various other matters and transactions. FERC also has broadly defined access to the  
3 books and records of holding companies and subsidiaries under 18 CFR Part 366.  
4

1 **V. CONCLUSION**

2 Q. IS THE ARRANGEMENT BETWEEN IBS AND MERC A BENEFIT TO MERC AND  
3 ITS CUSTOMERS?

4 A. Yes, it is. In addition to the economies of scale described above, MERC also receives the  
5 benefit of access to in-house experts who can be retained only in larger companies. For  
6 example, many of the same requirements that one utility may face from an environmental  
7 compliance perspective will impact other companies within the Integrys family. Having  
8 one group provide the support and research needed not only lowers the costs, but helps to  
9 ensure strong compliance programs with broad institutional knowledge.

10  
11 Q. BASED ON THE IBS COST ALLOCATION PROCEDURES DESCRIBED IN YOUR  
12 TESTIMONY AND DOCUMENTED IN THE REGULATED AIA, ARE THE IBS  
13 COSTS FAIRLY ASSIGNED AND ALLOCATED AMONG THE IBS AFFILIATED  
14 COMPANIES?

15 A. Yes. The Regulated AIA to which MERC is a party with IBS accurately and  
16 transparently assigns and allocates IBS costs to MERC and among the other IBS  
17 affiliated companies, and provides reasonable assurance to the Commission that costs  
18 related to MERC's Minnesota natural gas operations are fairly and accurately determined.

19  
20 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?

21 A. Yes, it does.



## **MASTER REGULATED AFFILIATED INTEREST AGREEMENT**

THIS MASTER REGULATED AFFILIATED INTEREST AGREEMENT (“Agreement”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 2007, by and among Integrys Business Support, LLC, a Delaware limited liability company (“Integrys Support”) and all of the regulated subsidiaries of Integrys Energy Group, Inc. (“Integrys”) as listed and defined on Exhibit A. All of the parties to this Agreement shall be collectively referred to as “Parties,” and all of the Parties other than Integrys Support shall be collectively referred to as the “Client Companies.”

### **RECITALS**

A. Each of the Client Companies is a state-regulated utility operating company, a wholly-owned subsidiary of Integrys, and an affiliated interest of the other Parties pursuant to the applicable public utility law of Wisconsin, Michigan, Minnesota, and Illinois.

B. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate their regulated utility businesses with the integration of certain activities by receiving services, employees, properties, information systems, property, services and/or anything else of commercial value from a single centralized service company provider.

C. Integrys Support and the Client Companies desire to enter into this Agreement whereby Integrys Support agrees to provide, and the Client Companies agree to accept and pay for, various services as described herein, with such payments by the Client Companies being at the fairly and equitably allocated costs as also provided herein.

D. From time to time Integrys Support will perform various services for or on behalf of the Client Companies, and further Integrys Support will make its property, employees and other things of value available to or for use by the Client Companies, all of which transactions are affiliated interest arrangements subject to the regulatory jurisdiction of the Public Service Commission of Wisconsin (“PSCW”), Michigan Public Service Commission (“MPSC”), Minnesota Public Utilities Commission (“MPUC”), and Illinois Commerce Commission (“ICC”).

(collectively the “Commissions”) pursuant to applicable Wisconsin, Michigan, Minnesota, and Illinois law.

NOW, THEREFORE, the Parties agree as follows:

## **AGREEMENT**

IntegrYS Support and the Client Companies, in consideration of the mutual promises made in this Agreement, agree as follows:

### **1.0 Provision of Services by IntegrYS Support**

1.1 The term “services” as used in this Agreement shall include management, supervisory, construction, engineering, accounting, legal, financial, human resources, information services, customer service, accounting, billing, operations and other administrative and general services, including without limitation the provision of any service or any other arrangement which among affiliates may require approvals, waivers or other authorizations under the applicable utility law of the states of Wisconsin, Michigan, Minnesota and/or Illinois.

1.2 Except as otherwise provided herein or required under applicable law, IntegrYS Support shall furnish to each Client Company services in those categories listed and described in Exhibit B. IntegrYS Support shall also furnish to each Client Company services in addition to those listed and described in Exhibit B, as may be requested by each such Client Company from time to time, provided that IntegrYS Support is reasonably able and willing to perform or provide such services, and further provided that if an additional category of services is requested by one or more Client Companies and is provided by IntegrYS Support hereunder, the Parties shall comply with the requirements of Section 7.3. In connection with its provision of services hereunder, IntegrYS Support may also from time to time provide or furnish property, assets, rights, interests, or other items of commercial value.

- 1.3 Integrys Support shall furnish to the Client Companies the services described in Section 1.2 in such manner as the Client Companies reasonably require from time to time, unless Integrys Support is not reasonably able to perform or provide such services or is unable to do so in a manner consistent with applicable law.
- 1.4 Notwithstanding any other provision of this Agreement, a Client Company shall, upon at least one hundred twenty (120) days prior written notice, have the right to purchase the services described in Section 1.2 from a service provider other than Integrys Support if: (i) such third party service provider offers comparable services, (ii) the Client Company presents comparable internal and external costing and service data to demonstrate to Integrys Support that the third party services would be provided at a lower all-in price than the all-in price charged by Integrys Support for such services, and (iii) the Client Company presents comparable internal and external costing and service data to demonstrate to Integrys Support that provision of the services by a third party service provider will be of overall benefit to the Integrys holding company system. With respect to any such showing by a Client Company, all relevant information that is provided by any Client Company to Integrys Support shall be copied to all of the other Client Companies.
- 1.5 In the event that any Client Company appropriately refuses to take or accept any services from Integrys Support pursuant to Section 1.4, such refusal shall not otherwise affect any other right, duty or obligation of any Party hereunder.
- 1.6 The services described herein shall be directly assigned or allocated by activity, project, program, work order or other appropriate manner on a case-by-case basis. Each Client Company may establish and document with Integrys Support its expectations and requirements with respect to any particular service to be rendered hereunder, including the establishment of targeted service and

performance levels and measures to determine whether such service level indicators are being achieved. A Client Company shall have the right from time to time to modify any activity, project, program or work order provided that (i) any such modification that results in a material change in the scope of the services to be performed or equipment to be provided is acceptable to Integrys Support, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by Integrys Support as a direct result of such modification of the activity, project, program or work order, and (iii) no modification of an activity, project, program or work order shall release a Client Company from liability for payment of all direct or allocable costs already incurred by or contracted for by Integrys Support pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed prior to such modification taking effect.

## 2.0 Determination of Costs for Services.

2.1 All services provided by Integrys Support shall be at cost, as hereinafter defined. It is the intent of the Parties that the payment for services rendered by Integrys Support to the Client Companies hereunder shall cover all of Integrys Support's costs of doing business (less the cost of services provided to affiliates not a party to this Agreement and to non-affiliated companies, and credits for miscellaneous income items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, payroll and other taxes, and compensation for use of capital (with a return on Integrys Support's net assets charged to each Client Company at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital)

authorized by the Commission having jurisdiction over the rates of that Client Company).

- 2.2 As compensation to Integrys Support for the services rendered hereunder, each Client Company shall pay to Integrys Support all costs which are reasonably related to the services performed by Integrys Support for or on behalf of such Client Company. Integrys Support shall maintain a detailed cost accumulation and classification system, and shall allocate costs to each Client Company pursuant to the following methodology: (i) to the extent possible and prior to allocating costs pursuant to subsections (ii) and (iii) of this Section 2.2, costs associated with a service that is specifically performed for a single Client Company will be directly assigned and billed to that Client Company; all costs directly assigned and billed to any entity taking service from Integrys Support shall be deducted from the amount being allocated in subsections (ii) and (iii) of this Section 2.2; (ii) where more than one Client Company receives benefits from a service, such amounts shall be allocated among such Client Companies (and any other affiliates within the Integrys holding company system to whom the service is rendered by Integrys Support) pursuant to the applicable cost Allocation Factor(s) set forth in Exhibit C; and (iii) where a service provided by Integrys Support is of a general nature applicable to all Client Companies, costs incurred by Integrys Support with respect to such service shall be allocated among the Client Companies (and any other affiliates within the Integrys holding company system to whom applicable services are rendered by Integrys Support) pursuant to the applicable cost Allocation Factor set forth in Exhibit C.
- 2.3 The Allocation Factors set forth in Exhibit C shall be subject to periodic review by Integrys Support in connection with the studies required by Section 4.3, and may be reviewed more frequently if deemed appropriate by Integrys Support.

- 2.4 The method of assignment or allocation of costs contemplated herein and in Exhibit C and/or the Allocation Factor or Factors assigned to any category of service in Exhibit B, may be modified or changed by Integrys Support, without amendment of this Agreement other than insertion of appropriate replacement Exhibits, provided that (i) all services rendered hereunder shall be at actual cost thereof, (ii) such costs are fairly and equitably assigned or allocated in a manner consistent with Section 2.2, and (iii) the Parties comply with the requirements of Section 7.3.
- 2.5 With respect to any charges imposed by Integrys Support for services provided under this Agreement that are subject to the jurisdiction of the FERC, no Party shall elect, or cause any affiliate to elect on their behalf, to have the FERC review pursuant to Section 1275 of the Energy Policy Act of 2005, 42 U.S.C. § 16462, the allocation of costs for goods and services provided by Integrys Support until the Commissions with jurisdiction to do so have reviewed and taken required actions regarding the affiliated interest transactions and agreements, or amendments thereto, associated with Integrys Support. If the Commissions have not completed review and approval or taken other appropriate action within a reasonable time, then any Party or its affiliate may seek such FERC review after giving the Commissions who have not so acted at least 60 days' prior written notice.
- 3.0 Billing; Payment; Related Provisions.
- 3.1 Integrys Support shall render a monthly bill to each Client Company reflecting the charges for services and property provided in the preceding month. Each bill shall include sufficient information and in sufficient detail to permit each Client Company to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject.

- 3.2 Upon receipt of a monthly bill for services rendered by Integrys Support hereunder, each Client Company shall promptly pay any undisputed portion of the bill within ten (10) business days.
- 3.3 If a Client Company disputes the calculation of any portion of a monthly bill it shall, when it pays the undisputed portion as contemplated by Section 3.2 or in any event no later than sixty (60) days after receiving the bill, inform Integrys Support in writing as to its reasons for its dispute. Integrys Support and the Client Company shall then meet to resolve in good faith the dispute, and shall involve the other Client Companies in the resolution of the dispute to the extent necessary and appropriate.
- 4.0 Accounting and Recordkeeping; Annual FERC Reports; Cost Studies; Annual Client and Integrys Support Company Reports; Internal Audit.
- 4.1 All accounts and records of Integrys Support shall be kept in accordance with the relevant requirements promulgated by the FERC from time to time, including without limitation Parts 367 and 368 of the FERC's regulations. Without limiting the foregoing, Integrys Support shall maintain adequate books and records with respect to all of its transactions hereunder, and shall record the costs to be allocated to the Client Companies in appropriate accounts in its general ledger system. Integrys Support shall be responsible for maintaining internal controls to ensure the costs associated with all transactions hereunder are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.
- 4.2 Integrys Support shall provide the Commissions and the Client Companies a copy of its FERC Form No. 60, or such other annual report required by the FERC of centralized service companies from time to time, contemporaneous with its annual filing of such report with the FERC. Integrys Support shall also file with

the Commissions, contemporaneous with its annual filing of such report with the FERC, the following schedules. These schedules shall list all costs incurred by Integrys Support and all costs allocated to all entities to whom Integrys Support provides or provided services. In Illinois, these schedules shall be filed as supplemental schedules to Form 21.

- a) A schedule summarizing the direct and indirect charges for each functional area in Exhibit B. The report shall present the dollar amounts and percentages charged to each party to this Agreement as listed in Exhibit A, as well as to all other entities that receive direct or indirect charges from Integrys Support for such functional areas.
- b) A schedule providing a breakdown by subaccount of Account 923, Outside Services Employed. The schedule shall aggregate amounts paid to any one payee in each subaccount. If one subaccount is less than \$100,000, only the aggregate number and amount of all such payments included within the subaccount shall be shown. The schedule shall include subtotals for each type of service.
- c) A schedule providing a listing of each pension and benefit program provided by Integrys Support. Such listing shall be limited to amounts over \$100,000.
- d) A schedule providing a listing of the amount included in Account 930.1, General Advertising Expenses, classifying the items according to the nature of the advertising and as defined in the account definition. If a particular class includes an amount in excess of \$100,000 applicable to a single payee, show separately the name of the payee and the aggregate amount applicable thereto.
- e) A schedule providing a listing of the amount included in Account 931, Rents, classifying such expenses by major groupings of property, as defined in the account definition of the Uniform System of Accounts in Part 367 of the FERC's regulations.
- f) A schedule providing an analysis of Account 408, Taxes Other Than Income. The report shall separate the analysis into two groups (1) other than U.S. Government taxes and (2) U.S. Government taxes. The report shall specify each of the various kinds of taxes and show the accounts thereof. A subtotal shall be provided for each class of tax.
- g) A schedule providing a listing of the amount included in Account 426.1, Donations, classifying such expense by its purpose. The aggregate number and amount of all items of less than \$100,000 may be shown in lieu of details.
- h) A schedule providing a listing of the amount included in Account 426.5, Other Deductions, classifying such expenses according to their nature.



- 4.3 At least once every three years, Integrys Support shall conduct a new study of the cost of services provided hereunder, for the purpose of testing compliance with the Agreement and to analyze the market price of services provided. The study shall be updated at least annually. Integrys Support shall provide each Client Company with a copy of each new study or update, as the case may be, no later than May 1 of the year following the end of the most recently completed fiscal year covered by the new study or update. The first such new study shall pertain to the period ending December 31, 2008, and shall be due on or before May 1, 2009.
- 4.4 Each year there shall be an internal audit of Integrys Support's transactions involving each of the Client Companies for the purpose of testing compliance with the Agreement. In addition, the audit will include a review of transactions involving other entities to whom Integrys Support provides service as well as the verification that all direct billings to regulated and non-regulated affiliates as well as unaffiliated parties, if applicable, were properly deducted prior to the allocations being calculated. The Client Companies shall submit a copy of the audit report to the person or department designated by the Commissions or the Commissions' staffs no later than July 1 of each year. In Illinois, the report shall be submitted to the ICC's Manager of the Accounting Department or any successor. The first such audit report shall pertain to the period ending December 31, 2008, and shall be due on or before July 1, 2009.
- 4.5 Each year by May 1, the Client Companies shall file with their respective Commissions, and submit a copy to the person or department designated by the Commissions or the Commissions' staffs, billing reports showing monthly charges by Integrys Support to each of the Client Companies. These reports shall show all costs incurred by Integrys Support and all costs allocated to all

entities to whom Integrys Support provides services. In Illinois, the report shall be submitted to the ICC's Manager of the Accounting Department or any successor.

5.0 Representations and Warranties of the Parties.

5.1 Each Party has the right, power, and authority to enter into and perform its obligations under this Agreement.

5.2 Each Party has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms.

5.3 The fulfillment of obligations hereunder will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority. The Parties acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by other persons or entities not Parties hereto. In such event, the Parties agree that each will use its best efforts before such agencies and courts to support the pursuit and accomplishment of the Parties' mutual endeavors hereunder.

6.0 Additional Representations, Warranties and Covenants of Integrys Support.

6.1 In its performance of services hereunder, Integrys Support: (i) shall follow applicable federal and state regulations, including codes and standards of conduct, with respect to the sharing of confidential information it receives from any Client Company with another; (ii) shall not give one or more Client Companies, or any other affiliate within the Integrys holding company system, a competitive advantage in relevant markets; and (iii) shall not subsidize any Client Company and shall not cause any Client Company to subsidize any of its affiliates.

6.2 Integrys Support shall make readily available to each Commission, FERC and/or any other governmental or regulatory agency with jurisdiction under applicable law, reasonable access to its books and records (including without limitation the basis for its computation of cost allocations) as may be necessary for each Commission or other agency to review Integrys Support's transactions with each Client Company within such Commission's or agency's jurisdiction. Without limiting the foregoing, each Commission shall have full access to the books and records of Integrys Support as contemplated under applicable law, which access shall be made readily available to each Commission in their respective states.

7.0 Additional Provisions.

7.1 This Agreement shall become effective upon the issuance of approvals or waivers as might be required by law, from each and all of the Commissions, and upon execution of the Agreement by all of the Parties. Once effective, this Agreement shall continue in full force and effect until and unless modified or terminated as provided herein.

7.2 This Agreement may be amended or modified at any time by mutual agreement of the Parties in writing. This Agreement, and any rights hereunder, may not be assigned without the written consent of all Parties hereto. Except as otherwise provided herein or under applicable law, any such modification, amendment or assignment shall not become effective until receipt of approvals or waivers by the Commissions as might be required by law. The addition of a Party to this Agreement, or the termination of this Agreement as to a Party, shall not require the prior approval of the Commissions, but in either case Integrys Support shall provide the Commissions at least sixty (60) days prior written notice of such event.

- 7.3 At least sixty (60) days prior to any change to (i) Exhibit A reflecting the current Parties to this Agreement, (ii) Exhibit B reflecting the services and categories of service provided by Integrys Support hereunder, and/or (iii) Exhibit C reflecting all Allocation Factors in use hereunder, Integrys Support shall provide to the Client Companies, and the Client Companies shall file with the Commissions and, if appropriate, the FERC, a revised version of such Exhibit(s) to be changed along with an indication of what change(s) will be made.
- 7.4 At least sixty (60) days prior to leaving the Integrys holding company system, a Client Company shall provide written notice to Integrys Support, and Integrys Support will then copy the other Parties and the Commissions as soon as practicable upon receipt of any such notice. Any such Client Company may continue to receive services from Integrys Support for a reasonable transitional period of time following such departure from the Integrys holding company system.
- 7.5 In providing all services, Integrys Support may arrange, where it deems appropriate, for the services of such third party experts, consultants, attorneys, advisers, or other contractors or agents with necessary qualifications as may be required for or pertinent to the performance of services for the Client Companies hereunder.
- 7.6 Each Party shall treat in confidence all information that it may obtain from or regarding the other Parties and their respective businesses during the term of this Agreement. Each Party agrees to protect the other Parties' information using the same degree of care with which they use to protect their own confidential information, and in no event less than reasonable care. Except to the extent disclosure of such information is required by a governmental authority having jurisdiction, such information shall not be communicated to any person other than

the Parties, and shall be shared among the Parties only to the extent certain persons need to know such information in order for the Parties to perform under this Agreement. If a Party is required to disclose confidential information to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The requirements of this Section 7.6 shall not apply with respect to information that (i) is or becomes available to such Party from a source other than the Party providing such information, unless such other source has imposed confidentiality restrictions, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.

- 7.7 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of Integrys Support to one or more of the Client Companies will be for the direct or indirect benefit or common interest of all of the Client Companies, and it is therefore the intention of all Parties hereto to maintain all privileges that may apply to any communications related to the provision or receipt of such legal advice or services.
- 7.8 The Client Companies hereby appoint Integrys Support as agent to represent them in performing services for or on behalf of the Client Companies. The Client Companies also authorize Integrys Support to purchase (i.e., take title to) various commodities, goods and assets in connection with its performance of services hereunder, and to resell (i.e., convey title to) such commodities, goods and assets to the Client Companies if necessary in the course of performing services hereunder. Any resale of such commodities, goods and assets by Integrys Support to the Client Companies, and/or any use of such commodities, goods and assets by Integrys Support in its provision of services hereunder, shall be at

the costs incurred by Integrys Support, allocated among the Client Companies pursuant to the methodologies prescribed herein. Integrys Support shall be accountable for all funds advanced or collected on behalf of a Client Company in connection with any transaction in respect of which Integrys Support provides services. The provision of services by Integrys Support hereunder shall in all cases and notwithstanding anything herein to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies having jurisdiction over Integrys Support or its provision of services hereunder.

- 7.9 In the event that any amendment to this Agreement does not receive any approval or waiver of approval by all Commissions that may be required from time to time, then the Parties shall promptly negotiate in good faith new provisions to restore such amendment, as nearly as possible, to its original intent and effect, and thereafter file for approval or waiver of approval of the Commissions.
- 7.10 If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is invalid, or otherwise takes action resulting in the impossibility or impracticability of performance of all or a portion of this Agreement, the remainder of this Agreement shall not be affected thereby and shall continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties hereto shall promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect.
- 7.11 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.

- 7.12 The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
- 7.13 This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to principles of conflicts of law; provided, however, that no Client Company shall be required to comply with this Agreement to the extent such compliance would be a violation of the public utility laws of any state in which such Client Company conducts its regulated utility operations.
- 7.14 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized as of the day and year first above written.

INTEGRYS BUSINESS SUPPORT, LLC

WISCONSIN PUBLIC SERVICE CORPORATION

By \_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

UPPER PENINSULA POWER COMPANY

MICHIGAN GAS UTILITIES CORPORATION

By \_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

MINNESOTA ENERGY RESOURCES CORPORATION

THE PEOPLES GAS LIGHT AND COKE COMPANY

By \_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

NORTH SHORE GAS COMPANY

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_



## **Exhibit A**

### **Client Company Parties to the Master Regulated Affiliated Interest Agreement**

#### **Michigan Gas Utilities Corporation**

a Delaware-incorporated Michigan public utility headquartered in Green Bay, Wisconsin, engaged in the business of providing natural gas service

#### **Minnesota Energy Resources Corporation**

a Delaware-incorporated Minnesota public utility headquartered in Green Bay, Wisconsin, engaged in the business of providing natural gas service

#### **North Shore Gas Company**

an Illinois public utility corporation headquartered in Chicago, Illinois, engaged in the business of providing natural gas service

#### **The Peoples Gas Light and Coke Company**

an Illinois public utility corporation headquartered in Chicago, Illinois, engaged in the business of providing natural gas service

#### **Upper Peninsula Power Company**

a Michigan public utility corporation headquartered in Houghton, Michigan, engaged in the business of providing regulated electric service

#### **Wisconsin Public Service Corporation**

a Wisconsin public utility corporation headquartered in Green Bay, Wisconsin, engaged in the business of providing regulated electric and natural gas service

## **Exhibit B – Reg AIA**

### **1. Administrative services**

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

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

### **2. Corporate development**

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

Allocation Factors – (1) General/Corporate.

### **3. Corporate secretary**

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

Allocation Factors – (1) General/Corporate.

### **4. Environmental**

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

Allocation Factors – (1) FTE Work Estimate.

### **5. Executive management**

Executive management services refers to the executive management and oversight activities performed by officers of the company and other senior executives. Such activities involve the formulation of general business plans and policies, selection of key management personnel, and allocation of financial resources.

Allocation Factors – (1) General/Corporate.

6. External affairs

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

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

7. Financial services

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

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

8. Human resources

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

Allocation Factors – (1) Number of Employees.

9. Information technology

Information technology refers to telecommunications and electronic data processing services such as computer operations, software development and maintenance, network support, end-user support, database administration and information systems security.

Allocation Factors – (1) Number of Personal Computers; (2) Number of Clicks; (3) Number of Phone Lines; (4) Number of Employees; (5) Application Allocator; (6) Mainframe CPU and Disk Storage; (7) Number of Devices; (8) Number of Meters; (9)

Call Volume; (10) Square Footage; (11) Number of Radios; (12) Number of Mobile Data Devices; (13) Number of Customers; (14) Composite Allocator.

#### **10. Legal services**

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

Allocation Factors – (1) General/Corporate.

#### **11. Supply chain**

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

Allocation Factors – (1) Total Spend; (2) Number of Fleet Assets; (3) Dollars Associated with Number of Inventory Issues; (4) Composite Allocator.

#### **12. Gas engineering**

Gas engineering refers to engineering support to gas distribution operations. Such support includes designing and monitoring the construction and maintenance of gas distribution lines and ensuring that construction activity is consistent with plans. It also involves coordinating the planning and operation of gas distribution systems, performing operational reviews of completed construction, maintenance work of gas distribution lines and operating meter shops. Gas Engineering will also provide competitive excellence stewardship support and project management for gas distribution projects.

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

#### **13. Gas supply**

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

capacity contracts in its own name.

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

#### **14. Customer relations**

Customer relations refers to the provision of services and systems dedicated to customer service, including meter reading and billing, credit, collections, customer relations, call center operations, revenue assurance, account management, market research and customer strategy.

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

#### **15. Project Services**

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

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

## **Exhibit C – Reg AIA**

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

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

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

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

### **Specific Allocation Factors:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Total Property, Plant and Equipment* – Based on average property, plant and equipment at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this



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

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

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

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

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

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

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

*General/Corporate* – Based on an equal weighting of a 13-month average of assets (excluding hedge assets, goodwill, and non-ordinary assets) for the most recent 13 months at the time the budget is prepared and average annual O&M costs (excluding

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

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

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

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

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

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

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

such time as may be required due to a significant change in circumstances.

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

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



### Asset Ownership by Integrys Business Support

Type of Asset	Allocation Method
PP&E Used in Operations	N/A
Leases	All leasehold costs included in space allocation pool. Allocation between IBS and other tenants based on square footage of usable space. IBS portion of cost included in space cost labor overhead. Special purpose space usage billed separately based on specific use.
Leasehold Improvements	Includes depreciation, return, and non-capitalized costs in space allocation cost pool. Allocation between IBS and other tenants based on square footage of usable space. IBS portion of cost included in space cost labor overhead. Special purpose space usage billed separately based on specific use.
Buildings	Includes depreciation, return, and non-capitalized costs in space allocation cost pool. Allocation between IBS and other tenants based on square footage of usable space. IBS portion of cost included in space cost labor overhead. Special purpose space usage billed separately based on specific use.
Furniture, Equipment and PCs	Includes depreciation, return, and non-capitalized costs in space allocation cost pool.
Telecommunications, Excluding Equipment Specifically Used for Gas or Energy Supply Control	Includes depreciation, return, and non-capitalized costs. Allocated by number of phone lines.
Large Equipment in Print/Copy Shop and Inserters	Charge based on service provided. Total number of imprints.
Mainframe/ Servers	Includes depreciation, return and non-capitalized costs. Allocated by number of personal computers.
Software	Includes depreciation, return and non-capitalized costs in Software pool. Allocate to each company based on specific application allocators, as appropriate.
Miscellaneous IT Equipment (e.g. tape drives, special storage units, UPS equipment, etc)	Includes depreciation, return and non-capitalized costs. Allocation based on corporate cost allocator.
Environmental Equipment and Vehicles, including Water Quality Equipment, Lab Equipment, Boat, ATV, and Dataloggers	Includes depreciation, return and non-capitalized costs in Environmental equipment cost pool. Allocation based on allocation of services from Environmental area. Total Environmental labor billings.



**Specific Project Assignment Allocator**  
**Integrys Business Support charges to Minnesota Energy Resources**  
**Year-to-date as of Dec 2012**

<b>Project #</b>	<b>Project Description</b>	<b>IBS Area Assigned the Project</b>	<b>Key Driver of Project &amp; Specific Allocation</b>	<b>Total IBS</b>	<b>Allocation Impact to MERC</b>	<b>MERC Allocation %</b>
0027010011	Repl IChain With Novell Access Mgr	IBS IT Infrastructure	# of Phone Lines	\$15,007	\$525	3.5%
0570010143	Gas Management System Evaluation	TEG Gas Supply	FTE Work Est Gas Supply Serv	\$5,541	\$832	15.0%
0570010268	Disaster Recovery-App Recovery Plan	IBS App Dev TEG Serv Develop	# Employees	\$5,912	\$263	4.4%
0570011138	Gas Management System Selection	TEG Gas Supply	FTE Work Est Gas Supply Serv	\$4,069	\$611	15.0%
0570011153	Windows 7 Deployment	IBS IT Operations	# of Devices	\$84,286	\$3,312	3.9%
0570011311	ICE 2016 Planning	IBS IT CVS Development Open-C	# of Customers	\$9,659	\$945	9.8%
0570011324	Web Metrics & Analytics	IBS E-Business Development	# of Clicks Reg/Holding Co Intra/Extranet	\$8,471	\$330	3.9%
0570011332	Data Center Relocation-Phase 1	IBS IT Infrastructure	# of Phone Lines	\$26,041	\$911	3.5%
0570012060	MS Project Server Administration	IBS App Dev TEG Serv Develop	# Employees	\$19,478	\$865	4.4%
0570012108	MS Office 2010 Upgrade	IBS IT Operations	# of Devices	\$34,368	\$1,351	3.9%
0570012125	Upgrade Citrix Server to XenApp6.5	IBS IT Infrastructure	# of Phone Lines	\$2,282	\$80	3.5%
0570012132	Gas Records Management Project	TEG Director Gas Engineering	FTE Work Est Gas Engineering Services	\$7,462	\$1,708	22.9%
0570012171	Upgrade Aspect to Version 7.4	IBS E-Business Development	# of Clicks Reg/Holding Co Intra/Extranet	\$11,463	\$446	3.9%
0570012182	SIEM Software Implementation	IBS IT Planning	# of Customers	\$18,645	\$1,824	9.8%
0570012206	Integrys Incentive Measures	IBS-HR Services	One Factor O&M Formula	\$5,273	\$178	3.4%
<b>Grand Total</b>				<b>\$257,958</b>	<b>\$14,179</b>	

**Specific Project Assignment Allocator**  
**Integrus Business Support charges to Minnesota Energy Resources**  
**Year-to-date as of Dec 2011**

<b>Project</b>	<b>Project Description</b>	<b>IBS Area Assigned the Project</b>	<b>Key Driver of Project &amp; Specific Allocation</b>	<b>Total IBS</b>	<b>Allocation Impact to MERC</b>	<b>MERC Allocation %</b>
0027010011	Repl IChain With Novell Access Mgr	IBS IT Infrastructure	# of Devices	7,542	275	3.7%
0027010018	Mainframe Consolidation	IBS IT Infrastructure	# of Clicks Reg/Holding Co Intra/Extranet	16,576	559	3.4%
0040008019	WAM Phase 1 Non Hardware - 2008	IBS IT Operations Development	Application Allocator WAM	1,817	104	5.7%
0040010044	Mainframe Consolidation Software	IBS IT Infrastructure	# of Clicks Reg/Holding Co Intra/Extranet	23,316	786	3.4%
0040011025	SharePoint 2010 ECRM Implementation	IBS IT Operations Development	# Employees	8,110	378	4.7%
0040011029	Service Desk Express Interfaces	IBS IT Architecture	# Employees Excluding TEGE	6,787	335	4.9%
0040012013	IBS GMS Consolidation	IBS App Dev TEG Serv Develop	# Employees	4,781	223	4.7%
0570010143	Gas Management System Evaluation	Gas Supply	FTE Work Est Gas Supply Serv	36,434	5,323	14.6%
0570010251	Gas Standarization	TEG Director Gas Engineering	FTE Work Est Gas Engineering Services	4,336	1,077	24.8%
0570010268	Disaster Recovery-Application Recovery PI	IBS Information Technology	# Employees Excdluing TEGE	9,116	450	4.9%
0570011138	Gas Management System Selection	Gas Supply	FTE Work Est Gas Supply Serv	61,670	9,010	14.6%
0570011153	Windows 7 Deployment	IBS IT Operations	# of Devices	83,767	3,058	3.7%
0570011298	SharePoint 2010 AMRP Pilot	IBS IT Operations Development	# Employees	16,981	791	4.7%
0570011299	DB2 Upgrade	IBS IT Architecture	# of Clicks Reg/Holding Co Intra/Extranet	18,123	611	3.4%
0570011311	ICE 2016 Planning	IBS IT CVS Development Open-C	# of Customers	4,889	478	9.8%
0570011324	Web Metrics & Analytics	IBS E-Business Development	# of Clicks Reg/Holding Co Intra/Extranet	10,272	346	3.4%
0570011332	Data Center Relocation-Phase 1	IBS IT Infrastructure	# of Clicks Reg/Holding Co Intra/Extranet	6,113	206	3.4%
0570012206	Integrus Incentive Measures	IBS-HR Services	One Factor O&M Formula	6,498	234	3.6%
<b>Grand Total</b>				<b>327,129</b>	<b>24,243</b>	