ICC Docket 06-0540

Applicants' Exhibit DLF-1.4

AGREEMENT BY AND AMONG WPS RESOURCES CORPORATION

AND PEOPLES ENERGY CORPORATION FOR ALLOCATION OF INCREMENTAL COSTS ASSOCIATED WITH MERGER TRANSACTION

This Agreement is entered into this ____ day of ____________, 2007, between WPS Resources Corporation, a Wisconsin corporation headquartered in Green Bay, Wisconsin ("WPS Resources") and Peoples Energy Corporation, an Illinois corporation headquartered in Chicago, Illinois ("PEC"), which is a wholly-owned subsidiary of WPS Resources. WPS Resources and PEC are each referred to herein as "Party" and collectively as "Parties."

WHEREAS, WPS Resources and PEC are each a holding company the subsidiaries of which include regulated and non-regulated subsidiaries;

WHEREAS, PEC became a subsidiary of WPS Resources pursuant to that certain Agreement and Plan of Merger dated July 8, 2006 between WPS Resources, Wedge Acquisition Corp., and PEC (such transaction, the "Merger");

WHEREAS, WPS Resources' regulated subsidiaries are Wisconsin Public Service Corporation ("WPSC"), Upper Peninsula Power Company, Michigan Gas Utilities Corporation and Minnesota Energy Resources Corporation;

WHEREAS, PEC's regulated subsidiaries are The Peoples Gas Light and Coke Company ("PGL") and North Shore Gas Company ("NSG");

WHEREAS, the Merger has caused and will cause WPS Resources, PEC and their respective subsidiaries to incur incremental costs to effect and implement the merger transaction and to achieve savings as a result of the Merger ("Merger Costs");

WHEREAS, WPS Resources and PEC desire to allocate Merger Costs in a fair and equitable among themselves and their respective regulated subsidiaries;

WHEREAS, WPS Resources and PEC have determined that the allocations calculated by their outside consultant, Booz Allen Hamilton, Inc., provide a reasonable basis to allocate Merger Costs in a fair and equitable among themselves and their respective regulated subsidiaries;

WHEREAS, the Parties intend that this Agreement shall establish the terms, conditions and procedures which shall apply to the accounting, invoicing and payment of Merger Costs by and among WPS Resources, its regulated subsidiaries and PEC; and

WHEREAS, PEC will allocate Merger Costs among itself and its regulated subsidiaries in accordance with the same allocation principles pursuant to that certain Services and Transfers Agreement dated May 25, 2006 between PEC and certain of its subsidiaries, including its regulated subsidiaries, in its final form as approved by the Illinois Commerce Commission.

NOW, THEREFORE, the Parties, in consideration of the mutual promises made in this Agreement, agree as follows:

AGREEMENT

1. Accounting For Merger Costs. Each Party shall each account for Merger Costs and shall cause all of its subsidiaries to account for Merger Costs by identifying and categorizing such costs and maintaining accounts of such costs using the following cost categories and booking such costs as expenses and capitalized costs as appropriate:

a. Separation Costs of severance packages provided to non-executive employees departing as part of the reduction in work force to eliminate duplicative functions and tasks.

b. Change in Control Costs of severance and accelerated long-term compensation (stock and stock option) packages provided to executive employees departing to eliminate duplicative leadership positions

c. Retention Costs incurred to retain certain employees during the period prior to the closing of the Merger.

d. Relocation Costs associated with relocating employees to provide for efficient consolidation and centralization of functions and tasks, following the Merger, including but not limited to moving expenses, house hunting costs, cost of living differentials, and closing costs.

e. System Integration Costs associated with integrating information technology systems, services functions, and telecommunications networks of the Parties and their subsidiaries following the Merger. These costs include contract programming, hardware change out and conversion, T-1 capacity, applications consolidation and conversion, and early retirement of existing applications.

f. Directors and Officers Liability Tail Coverage Costs associated with ongoing insurance coverage following the Merger incurred on behalf of departing directors and officers.

g. Regulatory Process Costs incurred to prepare and pursue applications for governmental approvals of the Merger, and to satisfy compliance and fiduciary requirements in connection with the Merger.

h. <u>Facilities Integration Costs</u> associated with the realignment of corporate facilities as the result of the integration of the Parties and their subsidiaries, and staffing reductions following the Merger.

i. <u>Internal/External Communications Costs</u> associated with the dissemination of information regarding the merger to employees, shareholders, rating agencies, governmental agencies, vendors, suppliers, and contractors, and with changing infrastructure elements such as signage, letterhead and other means of identification of WPS Resources and its subsidiaries following the Merger.

j. <u>Integration Costs</u> incurred for travel, lodging, meeting and similar costs attributable to activities of employees in planning and accomplishing the integration of the Parties, and also including consulting fees for services in connection with integration and restructuring of the Parties following the Merger.

k. <u>Transaction Costs</u> include amounts paid to the investment banks for assistance with transaction structuring and negotiation, and the provision of fairness opinions, and amounts paid to outside counsel for services in connection with negotiation of the Merger Agreement and securing shareholder approval for the Merger.

2. <u>Invoicing and Payment of Merger Costs</u>.

a. WPS Resources shall require its subsidiaries (except PEC and its subsidiaries) to invoice it at least quarterly for their current balances of Merger Costs in each of the categories listed in Section 1, segregated between expensed and capitalized costs. PEC shall also invoice WPS Resources at least quarterly for the consolidated and categorized balances of Merger Costs of PEC and its subsidiaries. The first month's invoices shall include all Merger Costs incurred to date.

b. WPS Resources shall consolidate the invoiced amounts it receives from its subsidiaries and PEC with the Merger Costs it has incurred, and then allocate the consolidated amounts to its regulated subsidiaries and PEC in accordance with the allocation percentages set forth in Appendix A. WPS Resources shall then invoice its regulated subsidiaries and PEC for their respective allocated portions of the Merger Costs. The invoices shall show the amount of Merger Costs being allocated in each cost category listed in Section 1, with the Merger Costs invoiced in each category being segregated into costs that were expensed on the books of the Party or subsidiary originally incurring them and costs that were capitalized on the books of the Party or subsidiary originally incurring them.

c. If the portion of the total Merger Costs allocated to a WPS Resources regulated subsidiary or PEC is more than the total Merger Costs it invoiced WPS Resources, it shall pay WPS Resources the difference. If the portion of the total Merger Costs allocated to a WPS Resources regulated subsidiary or PEC is less than the total Merger Costs it invoiced WPS Resources, WPS Resources will pay it the difference.

3. Compliance with Law. 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.

4. Term. This Agreement shall be in effect for five (5) years from the date first stated. The Parties may extend the agreement by written agreement.

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.

WPS RESOURCES CORPORATION

By ______________________________________

Its: ______________________________________

PEOPLES ENERGY CORPORATION

By:__________________________________

Its:__________________________________

APPENDIX A TO THE COST TO ACHIEVE AGREEMENT

Cost-to-Achieve	Reg / Non-Reg		Gas / Electric		Gas - State				Electric - State	
	Reg	Non-Reg	Gas	Elec-tric	IL	MI	MN	WI	MI	WI
Separation Costs	86.75%	13.25%	49.78%	50.22%	71.51%	3.59%	3.88%	21.02%	8.01%	91.99%
Change-in-Control	86.75%	13.25%	49.78%	50.22%	71.51%	3.59%	3.88%	21.02%	8.01%	91.99%
Retention Costs	86.75%	13.25%	49.78%	50.22%	71.51%	3.59%	3.88%	21.02%	8.01%	91.99%
Relocation Costs	86.75%	13.25%	49.78%	50.22%	71.51%	3.59%	3.88%	21.02%	8.01%	91.99%
Systems Integration	87.48%	12.52%	55.04%	44.96%	70.34%	5.02%	5.56%	19.08%	8.10%	91.90%
D&O Tail Coverage	88.21%	11.79%	60.30%	39.70%	69.17%	6.45%	7.24%	17.13%	8.20%	91.80%
Regulatory Process	82.42%	17.58%	49.76%	50.24%	61.79%	6.03%	6.44%	25.74%	5.19%	94.81%
Facilities Integration	86.75%	13.25%	49.78%	50.22%	71.51%	3.59%	3.88%	21.02%	8.01%	91.99%
Internal / External Comm.	87.48%	12.52%	62.51%	37.49%	66.62%	6.73%	7.78%	18.87%	9.68%	90.32%
Transition Costs	87.48%	12.52%	62.51%	37.49%	66.62%	6.73%	7.78%	18.87%	9.68%	90.32%
Transaction Costs	87.48%	12.52%	68.87%	31.13%	64.17%	8.31%	9.73%	17.79%	10.51%	89.49%

Costs-to-Achieve	PGLC	NSG
Separation Costs	89.04%	10.96%
Change in Control	89.04%	10.96%
Retention Costs	89.04%	10.96%
Relocation Costs	89.04%	10.96%
System integration Costs	87.84%	12.16%
D&O Tail Coverage	86.67%	13.33%
Regulatory Process Costs	86.99%	13.01%
Facilities Integration	89.04%	10.96%
Internal / External Communications	87.95%	12.05%
Integration Costs	87.95%	12.05%
Transaction Costs	87.56%	12.45%