

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 the Regulated Parties shall give written notice to the Commissions of changes to Appendix A or Appendix B reflecting the current Parties to this Agreement. Any change to Appendix C reflecting the Services and categories of Service provided hereunder shall not require the prior approval of the Commissions but the Regulated Parties shall give sixty (60) days' prior written notice to the Commissions of changes to Appendix C.

- 7.3 A Party leaving the Integrys holding company system may continue to receive Services from any Providing Party hereunder for a reasonable transitional period of time following such departure from the Integrys holding company system. Once any such departure has occurred and the Party has ceased receiving Services, an updated Appendix A and/or B shall be filed with the Commissions.
- 7.4 In providing all Services, any Providing Party 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 Parties hereunder.
- 7.5 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 which it uses to protect its 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 7.5 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.

7.6 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of any Providing Party hereunder will be for the direct or indirect benefit or common interest of all of the Receiving Parties, 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.

7.7 The Parties hereby appoint all Providing Parties as their agent to represent them in performing services for or on their behalf in providing Services hereunder. The Parties also authorize all Providing Parties hereunder to purchase (*i.e.*, take title to) various commodities, goods and assets in connection with their performance of Services hereunder, and to resell (*i.e.*, convey title to) such commodities, goods and assets to the Parties, including to Receiving Parties, if necessary in the course of performing Services hereunder. Any resale of such commodities, goods and assets by Providing Parties to Receiving Parties and/or any use of

such commodities, goods or assets by Providing Parties in the provision of Services hereunder shall be at the costs incurred by such Providing Parties, to be allocated among the Receiving Parties pursuant to the methodologies prescribed herein. The Providing Parties shall be accountable for all funds advanced or collected on behalf of a Receiving Party in connection with any transaction in respect of which a Providing Party provides Services. The provision of Services by a Providing Party 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 a Providing Party or its provision of Services hereunder.

- 7.8 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.
- 7.9 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.

- 7.10 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.
- 7.11 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.
- 7.12 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 Regulated Party 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(s) in which such Regulated Party conducts its state-regulated utility operations.
- 7.13 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 as of the day and year first above written.

INTEGRYS ENERGY GROUP, INC.

INTEGRYS BUSINESS SUPPORT, LLC

[for itself and on behalf of all Non-Regulated Parties other than Integrys Business Support, LLC, Integrys Energy Services, Inc. and the subsidiaries of Integrys Energy Services, Inc.]

By  
Name  
Title

By  
Name  
Title

UPPER PENINSULA POWER COMPANY

MICHIGAN GAS UTILITIES CORPORATION

By  
Name  
Title

By  
Name  
Title

MINNESOTA ENERGY RESOURCES CORPORATION

THE PEOPLES GAS LIGHT AND COKE COMPANY

By  
Name  
Title

By  
Name  
Title

NORTH SHORE GAS COMPANY

WISCONSIN PUBLIC SERVICE CORPORATION

By  
Name

By  
Name

Title

Title

INTEGRYS ENERGY SERVICES, INC.

WISCONSIN VALLEY IMPROVEMENT  
COMPANY

[for itself and on behalf of its subsidiaries]

By

By

Name

Name

Title

Title

## **Appendix A -- Regulated Parties**

### **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 Rosemont, Minnesota, 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 electric service

### **Wisconsin Public Service Corporation**

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

### **Wisconsin Valley Improvement Company**

a Wisconsin corporation headquartered in Wausau, Wisconsin, created under Wisconsin law for the purpose of building, maintaining and operating dams and reservoirs on the Wisconsin River and its tributaries for the purposes of improving navigation, decreasing the hazard of flooding, and providing a uniform flow for all public purposes. WVIC is owned by the downstream owners and operators of hydroelectric facilities (including WPSC) that receive water power benefits from WVIC's operations. WVIC charges its owners cost-based tolls that are fixed by the PSCW. WVIC's ownership and operation of its dams and reservoirs is regulated by the FERC.

**Appendix B – Non-Regulated Parties**

**IntegrYS Energy Group, Inc. and its subsidiaries not listed on Appendix A or on this Appendix B**

**IntegrYS Energy Services, Inc. and its subsidiaries**

**IntegrYS Business Support, LLC**

## Appendix C – Services

Subject to the limitations set forth in Section 1.1 and applicable state and federal requirements, a Party may provide to or receive from any other Party the Services described in this Appendix C.

“Major Services” shall mean Services identified as such in this Appendix C and for which Parties expect that, in the normal course of business and under normal operating conditions, they shall provide on a regular or day-to-day basis. “Incidental Services” shall mean Services identified as such in this Appendix C and for which the Parties expect that, in the normal course of business and under normal operating conditions, they shall provide infrequently or, if provided on a regular or day-to-day basis, shall represent an insignificant amount of intercompany services provided by the Providing Party.

I. Any Regulated Party may provide to or receive from any other Regulated Party the following Services:

### Major Services

1. **Operational Support - Electric Utility:** Provide services to operate and support electric utility operations, such as compliance with independent system operator requirements; engineering, construction, design, operation and maintenance; contract management, including marketing and procurement; electric capacity, energy and transmission services; FERC, NERC and other regulatory compliance; field services; system planning, analysis and projections.
2. **Operational Support - Gas Utility:** Provide services to operate and support gas utility operations, such as construction, design, operation and maintenance; field services.
3. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity; energy conservation support; marketing and sales work.
4. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.

### Incidental Services

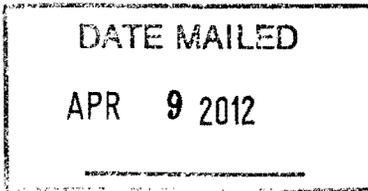
1. **Fleet:** Maintain vehicles; transport materials and supplies.
2. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of Integrys Support.
3. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee's normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).

II. Any Non-Regulated Party may provide to or receive from any Regulated Party the following Services:

## Incidental Services

1. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee's normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).
  2. **Fleet:** Maintain vehicles; transport materials and supplies.
  3. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of Integrys Support.
  4. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity.
  5. **Operational Support:** Provide services to operate and support energy operations.
  6. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.
- III. In addition to providing and billing for the Services described above and in Section 1.1, any Party may allocate costs to any other Party as follows:
1. **Cost Allocations:** Payment of an invoice or refunds of credits by one or more Parties for goods or services for which another Party or other Parties benefitted; charges for systems owned by one Party and used by one or more other Parties; financing charges, such as those arising from intercompany loans (provided, however, that no Party shall charge costs to Wisconsin Public Service Corporation for intercompany loans); fees for credit lines available to more than one Party; transfers of renewable energy credits or other items of value; use of any airplane owned by Integrys; use of housing owned or rented by Integrys; benefit plans; transfer of benefits, such as vacation time when an employee transfers employment; and shared personnel, including management, regulatory, corporate directors and officers and their support personnel.
  2. **Transition:** When an employee moves from a position with one Party to a position with another Party, provide services, for a transition period, appropriate to assist the person(s) assuming responsibility for tasks formerly performed by the employee in his former position.
  3. **Short Term Assignments:** When an employee assumes responsibilities, on a short-term (less than two years) basis, with another Party (subject to any otherwise applicable restrictions such as affiliated interest requirements) but does not become an employee of the other Party, provide services required by the new position and allocate costs appropriately.
- IV. Any Non-Regulated Party may provide to or receive from any other Non-Regulated Party any Service.

**Attachment B**

**PUBLIC SERVICE COMMISSION OF WISCONSIN**

Application for Approval of an Affiliated Interest Agreement Between  
Wisconsin Public Service Corporation and Integrys Energy Group, Inc.

6690-AU-114

**AMENDED FINAL DECISION**

This is the Amended Final Decision in the application filed June 25, 2010, by Wisconsin Public Service Corporation (WPSC) and Integrys Energy Group, Inc. (Integrys), for approval of an affiliated interest agreement (Agreement) to govern the provision of inter-company services within the Integrys holding company system by affiliated service providers other than the centralized service company Integrys Business Support, LLC (IBS), pursuant to Wis. Stat. §§ 196.52(3), 196.795(5)(r) and (s), and as ordered by the Commission's *Final Decision* in docket 5-UI-111 (December 3, 2007).

On February 22, 2012, WPSC and Integrys requested a rehearing of the Commission's *Final Decision* in this proceeding, dated January 23, 2012. The parties assert that the *Final Decision* contains errors of fact or law that require modification on rehearing or reopening.

At its open meeting on March 22, 2012, the Commission discussed and approved changes to its *Final Decision* in this docket, dated January 23, 2012. The changes to the *Final Decision*, dated January 23, 2012, are as follows:

1. It is reasonable to incorporate the language required by the Illinois Commerce Commission (ICC) in its approval of the Agreement in a companion proceeding.<sup>1</sup> The amended version of the changes to the Agreement is Attachment A to this Amended Final Decision.

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<sup>1</sup> ICC Docket No. 10-408 order, dated December 15, 2010.

2. It is reasonable to correct the identity of affiliated natural gas service providers by accepting the parties proposed language change to Order Point 6(b), which shall read:

Order Point 6(b). WPSC, MGU, Peoples, and North Shore shall keep separate gas portfolios. Existing joint pipeline capacity contracts between MGU and MERC are grandfathered. Peoples (a direct subsidiary of PEC) sells storage services to North Shore pursuant to an Illinois Commerce Commission approved agreement. That agreement is grandfathered. No future joint or shared contracts are permitted. Any long-term releases, directly or indirectly between WPSC and any of the four entities shall require separate affiliated interest approval.

It is reasonable to amend the first paragraph on page 11 of the *Final Decision* as follows:

WPSC, MGU, Peoples, and North Shore shall keep separate gas portfolios. Existing joint pipeline capacity contracts between MGU and MERC are grandfathered. Peoples sells storage services to North Shore pursuant to an Illinois Commerce Commission approved agreement. That agreement is grandfathered. No future joint or shared contracts are permitted. Any long-term releases, directly or indirectly between WPSC and any of the four entities shall require separate affiliated interest approval. MGU, MERC, Peoples, and North Shore will be stand-alone entities with respect to WPSC.

3. It is appropriate to accept the parties' modifications to Order Point 1(b) with the additional modification that notice is required prior to any financing charges, for a period of not more than one year, subject to the delegation to the Administrator of the Gas and Energy Division to modify the submittal or notice requirements. After the initial one-year period,

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after-the-fact notice is required for all financing charges. Renewal energy credits would require after-the-fact notices. Order Point 1(b) is modified to read:

Order Point 1(b). With respect to the Cost Allocation category of services under Appendix C of the Agreement, and in addition to any otherwise-applicable reporting requirements, WPSC shall provide the Commission with notice prior to any financing charges, for a period of not more than one year, subject to the delegation to the Administrator of the Gas and Energy Division to modify the submittal or notice requirements. After the initial one-year period, WPSC shall notify the Commission within 30 days after the effective date of any financing charges. WPSC shall notify the Commission within 30 days after the effective date of any new, non-recurring transactions by which any renewable energy credits, such as emission allowances, are transferred by or to WPSC under the Agreement.

4. It is appropriate to accept the parties' proposed language for Order Point 1(c) with the substitution of Integrys for WPSC. Order Point 1(c) is amended to read:

Order Point 1(c). Approval of this Agreement is based upon the current corporate structure of Integrys. Following any significant change in Integrys structure including, but not limited to a merger, acquisition of significant assets or subsidiaries, or reorganization, representatives of Integrys shall promptly meet with Commission staff to determine whether any modification of the Agreement, or new affiliated interest agreements, are required under the circumstances.

Docket 6690-AU-114

5. It is appropriate to incorporate the language recommended by the Minnesota Office of Energy Security as a condition of its recommendation for approval of the Agreement in a companion proceeding.<sup>2</sup> The language will be an addendum to the Agreement and is shown in Attachment B to this Amended Final Decision.

### Order

1. All conditions and order points of the *Final Decision*, dated January 23, 2012, except as herein modified, remain in effect.

2. WPSC shall submit signed copies of the Agreement as conditioned and modified by this Amended Final Decision with 30 days of the date of this Amended Final Decision.

3. This Amended Final Decision is effective on the day after the date of mailing.

4. Jurisdiction is retained.

Dated at Madison, Wisconsin, April 3, 2012

By the Commission:



Sandra J. Paske  
Secretary to the Commission

SJP:JJB:cmk:00506225

See attached Notice of Rights

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<sup>2</sup> The Minnesota Public Utilities Commission's Docket No. AI-10-783 is open, pending closure of the Illinois and Wisconsin proceedings. The language was included in the final agreement approved by the ICC.

PUBLIC SERVICE COMMISSION OF WISCONSIN  
610 North Whitney Way  
P.O. Box 7854  
Madison, Wisconsin 53707-7854

**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE  
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE  
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

*PETITION FOR REHEARING*

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of mailing of this decision, as provided in Wis. Stat. § 227.49. The mailing date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

*PETITION FOR JUDICIAL REVIEW*

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of mailing of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of mailing of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission mailed its original decision.<sup>3</sup> The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: December 17, 2008

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<sup>3</sup> See *State v. Currier*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

**6690-AU-114  
Amended Final Decision  
Attachment A**

**AFFILIATED INTEREST AGREEMENT**

THIS AFFILIATED INTEREST AGREEMENT (“Agreement”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 2010, by and among Integrys Energy Group, Inc. (“Integrys”), a public utility holding company, the regulated subsidiaries of Integrys listed on Appendix A (the “Regulated Parties”), and the non-regulated subsidiaries of Integrys listed on Appendix B (the “Non-Regulated Parties”). Each party to this Agreement is a “Party.”

**RECITALS**

A. Each of the Regulated Parties, except WVIC (defined in Appendix A), is a state-regulated utility operating company, a wholly-owned subsidiary of Integrys, and an affiliated interest of all other Parties pursuant to the applicable public utility law of the state(s) in which it conducts its regulated utility operations.

B. Each of the Non-Regulated Parties is a wholly-owned subsidiary of Integrys that does not provide state-regulated utility service to captive customers, and is not otherwise a “public-utility company” as that term is defined at 42 U.S.C. § 16451(14) and as such definition is construed by the Federal Energy Regulatory Commission (“FERC”).

C. Integrys Business Support, LLC (“Integrys Support”), a Non-Regulated Party, is a centralized service company, as defined and regulated by the FERC, that was formed to provide various services to the other Parties.

D. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate certain aspects of their businesses with the integration of certain activities by sharing and

receiving certain services, employees, properties, information systems and/or anything else of commercial value.

E. While the vast majority of shared services within the Integrys holding company system are provided by Integrys Support pursuant to separate agreements (“IBS AIAs”), many of the other Parties will from time to time perform various services for one another, or transfer goods, assets, rights or things of any kind between or among one another.

4.3 Every year there shall be an internal audit of transactions under this Agreement for the purpose of testing compliance with the Agreement. Such audit may be either a discrete audit solely of Services under this Agreement or may be an audit of the Services under this Agreement and other affiliated interest service agreements. The internal audit shall include, but not be limited to, the following: 1) the accuracy of the derivations of costs billed by the Providing Parties; 2) the determination that the costs billed to the Regulated Parties are priced at the lesser of cost or fair market value, based on the studies and updates required by Section 4.4; 3) the determination that Services provided by the Regulated Parties to the Non-Regulated Parties, except Integrys Support, are billed at the higher of cost or market, based on the studies and updates required by Section 4.4; and 4) the accuracy of invoices issued under the Agreement during the year. The Regulated Parties 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 audit year. The first such audit report shall pertain to the period ending December 31 of the year in which this Agreement is effective, and shall be due on or before July 1 of the following year. Subsequent audit reports shall be due July 1 following the calendar year that is the subject of the audit.

4.4 Every third year, on or before May 1, the Parties shall conduct a new study of the cost of Services provided hereunder for the purpose of testing compliance with the provisions of this Agreement requiring charges at the fair market value and to analyze the market price of services provided. The study shall include Services provided between a Regulated Party and a Non-Regulated Party at cost. The study shall be updated at least annually. The Parties shall notify the person or department designated by the Commissions or the Commissions' staffs of the availability of the study and annual update and, if requested, make such available for review at the Commission's offices. The first such new study shall pertain to the period ending December 31, 2011, and shall be due on or before May 1, 2012.

#### **Article V 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.

## **Article VI Liability and Indemnity**

6.1 Each Party (for purposes of this Section 6.1, each an “Indemnifying Party”) shall indemnify and save harmless each other Party (for purposes of this Section 6.1, each an “Indemnified Party”) from any and all damages, expenses, claims, costs, attorneys' fees or other injury, including without limitation injury to person, life or property and further including injury resulting in the death of any person or persons (“Damages”) in any manner arising out of or in connection with the willful or negligent acts or omissions of the Indemnifying Party in the performance of this Agreement. In the event that one or more Indemnified Parties is made a party to any suit or litigation on account any actual or alleged Damages, the

**6690-AU-114**  
**Amended Final Decision**  
**Attachment B**

**MINNESOTA-SPECIFIC**  
**ADDENDUM TO AFFILIATED INTEREST AGREEMENT**

Notwithstanding the provisions of the Affiliated Interest Agreement (“Agreement”) by and among Integrys Energy Group, Inc. (“Integrys”), the regulated subsidiaries of Integrys listed on Appendix A of the Agreement, and the non-regulated subsidiaries of Integrys listed on Appendix B of the Agreement, Minnesota Energy Resources Corporation will submit to the Minnesota Public Utilities Commission (“Commission”) for approval any changes in the Parties to the Agreement or changes in the services covered by the Agreement, as required by Minn. Stat. § 216B.48. As required by the Commission’s September 14, 1998 Order in Docket No. E,G-999/CI-98-651, such changes will be submitted within 30 days.

## **Attachment C**

## **AFFILIATED INTEREST AGREEMENT**

THIS AFFILIATED INTEREST AGREEMENT (“Agreement”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 2012, by and among Integrys Energy Group, Inc. (“Integrys”), a public utility holding company, the regulated subsidiaries of Integrys listed on Appendix A (the “Regulated Parties”), and the non-regulated subsidiaries of Integrys listed on Appendix B (the “Non-Regulated Parties”). Each party to this Agreement is a “Party.”

### **RECITALS**

A. Each of the Regulated Parties, except WVIC (defined in Appendix A), is a state-regulated utility operating company, a wholly-owned subsidiary of Integrys, and an affiliated interest of all other Parties pursuant to the applicable public utility law of the state(s) in which it conducts its regulated utility operations.

B. Each of the Non-Regulated Parties is a wholly-owned subsidiary of Integrys that does not provide state-regulated utility service to captive customers, and is not otherwise a “public-utility company” as that term is defined at 42 U.S.C. § 16451(14) and as such definition is construed by the Federal Energy Regulatory Commission (“FERC”).

C. Integrys Business Support, LLC (“Integrys Support”), a Non-Regulated Party, is a centralized service company, as defined and regulated by the FERC, that was formed to provide various services to the other Parties.

D. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate certain aspects of their businesses with the integration of certain activities by sharing and receiving certain services, employees, properties, information systems and/or anything else of commercial value.

E. While the vast majority of shared services within the Integrys holding company system are provided by Integrys Support pursuant to separate agreements (“IBS AIAs”), many

of the other Parties will from time to time perform various services for one another, or transfer goods, assets, rights or things of any kind between or among one another.

F. The Parties intend that this Agreement shall establish the terms, conditions, and procedures that shall apply to the sharing of services and other transfers of goods, property, assets, rights or things of any kind between them, subject to the regulatory jurisdiction of the Illinois Commerce Commission (“ICC”), Michigan Public Service Commission (“MPSC”), Minnesota Public Utilities Commission (“MPUC”), and the Public Service Commission of Wisconsin (“PSCW”), and any other state public service commission with jurisdiction over the retail service rates of any Regulated Party from time to time (collectively the “Commissions”) pursuant and subject to applicable state utility law.

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

## **AGREEMENT**

### **Article I**      **Provision of Services**

1.1 Subject to the limitations set forth in this Article I and applicable state and federal requirements, a Party (including Integrys Support) may request Services from another Party (other than Integrys Support). The term “Services” is further described in Appendix C and may include any service, good, asset, property, employee, right, interest, thing or item of value, or anything of commercial value to the transferee or recipient, the furnishing or provision of which could be considered a “contract or arrangement,” “service” or other exchange of “property” or “assets” (or other similar designations) which, absent this Agreement, could require the approval of one or more of the Commissions as an affiliated interest arrangement (each, a “Service”).

- 1.2. Each Party shall have the right, at its sole discretion, to refuse to provide or furnish any Services requested pursuant to this Agreement; there shall be no exclusive right or right of first refusal associated with the provision or furnishing of such Services pursuant to this Agreement; and receiving a refusal from another Party to a request under this Agreement shall not be a prerequisite for any Party to obtain from an independent third party any property, service or thing which is or could be provided or furnished under this Agreement. Refusals of requests by any Party under this Agreement shall not terminate all or any portion of this Agreement.
- 1.3 Parties providing Services under this Agreement (each a "Providing Party") and Parties receiving any Service under this Agreement (each a "Receiving Party") may establish and document their mutual expectations and requirements with respect to any particular Service to be rendered hereunder.
- 1.4 With respect to certain Providing Parties as applicable:
- (i) No Party shall provide a Service under this Agreement if the Service must, if it is to be provided by an affiliate, instead be provided by Integrys Support pursuant to an IBS AIA.
  - (ii) No Regulated Party shall be required to take actions pursuant to this Agreement that negatively impact the reliability or quality of utility services available to customers of the Regulated Party, impede the ability of the Regulated Party to provide utility services to its customers, or increase the costs to its customers of receiving such utility services.

**Article II**      **Determining Charges for Services Provided**

- 2.1 Cost of Services.

- (i) All Services provided by any Regulated Party to another Regulated Party shall be priced at cost, with “cost” being determined as provided in Section 2.2.
- (ii) All Services provided by any Regulated Party to any Non-Regulated Party shall be priced at the greater of cost or fair market value, with “cost” being determined as provided in Section 2.2 and with fair market value being determined pursuant to Section 2.4.
- (iii) All Services provided by any Non-Regulated Party to any Regulated Party shall be priced at the lesser of cost or fair market value, with “cost” being determined as provided in Section 2.3 and with fair market value being determined pursuant to Section 2.4.
- (iv) Notwithstanding anything else in this Agreement, all Services provided by any Party to Integrys Support shall be priced at cost, with “cost” being determined as provided in Section 2.2 when the Providing Party is a Regulated Party and as provided in Section 2.3 when the Providing Party is a Non-Regulated Party.

## 2.2 Determining “Cost” For Regulated Providing Parties

- (i) Labor Cost.
  - A. Each employee of any Regulated Party who in any month was a Providing Party shall, for that month, identify the actual time spent providing Services and report the total time spent providing Services in the Corporate Labor System that is maintained by Integrys Support or that is otherwise maintained in accordance with established accounting procedures of the Regulated Party.

B. Based on actual compensation and the total hours actually worked, a direct labor dollar hourly rate shall be computed for each such employee identified pursuant to sub-paragraph (i)(A).

C. An overhead shall be established and shall be applied to direct labor dollars (product of sub-paragraphs (i)(A) and (i)(B)) to include:

1. Costs associated with pensions, other post-employment benefits, social security taxes, unemployment compensation, health, dental and life insurance, training, vacation, sick, holiday and other employee benefits;

2. Average cost of administrative and general costs including, but not limited to, telephone, office supplies, property insurance and miscellaneous expenses, and excluding regulatory commission expense and other nonrelated expenses;

3. Costs of office space, furniture and equipment, using a return on net assets at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) authorized by the Commission(s) having jurisdiction over the retail rates of the Regulated Party that provided a service for which a cost is being determined hereunder.

(ii) Equipment Cost. Costs for equipment, other than office furniture and related equipment, used in the provision of Services or otherwise provided will include all operating expenses, applicable overheads, maintenance, depreciation, return on investment and taxes, income taxes, sales or otherwise. Transportation and vehicle costs used in providing Services will be determined based on relative total hours or miles of use or on a vehicle loading applied to labor costs, as appropriate, and will include repairs, maintenance, fuel, depreciation, return on

investment and, where appropriate, rental expense. In all cases, return on investment shall be calculated using a return on net assets at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) authorized by the Commission(s) having jurisdiction over the retail rates of the Regulated Party that provided a Service for which a cost is being determined hereunder.

- (iii) **Materials and Supplies Cost.** Costs of materials and supplies commonly used across affiliates will be directly determined and charged. All appropriate overheads will follow the assignment of the direct costs. The costs of material will be based on the average unit price, which includes invoice price, shipping expenses, and net of purchase discounts. Appropriate overheads allocated will include: (i) operation and maintenance costs, which include, but are not limited to, the functions of purchasing, receiving, storing, dispensing and accounting for items; building maintenance; external security costs; general facility upkeep and preventative maintenance; and building utility costs based on the square footage occupied by warehousing functions; and (ii) depreciation and carrying costs on transportation equipment used in providing the Service.
- (iv) **Other Direct Costs.** Other direct costs including but not limited to contract labor, contract services, employee reimbursement for meals and lodging and other costs not included in labor, equipment, materials and supplies will be either accumulated and billed directly based on actual charges or allocated as a loading on labor costs as appropriate.

- (v) Calculating Total Cost of Service. The sum of the direct and indirect charges calculated in accordance with sub-paragraphs (i) through (iv) above, shall constitute the total cost of Services provided.
- (vi) Cost Records. Costs of labor, equipment, materials and supplies, depreciation, and other reasonable overheads provided shall be determined in accordance with accounting standards customarily used by such businesses. Each Regulated Party will maintain a cost accounting system to accumulate all costs related to Services they provide, on an activity, department, project, function, work order, or other appropriate basis, and which is adequate to enable its actual costs in connection with transactions hereunder to be audited and tracked by regulatory bodies having jurisdiction.

2.3 Determining "Cost" For Non-Regulated Providing Parties. Costs of labor, equipment, materials and supplies, depreciation, and other reasonable overheads and costs incurred by a Non-Regulated Party in the course of providing a Service to a Regulated Party hereunder shall be determined in accordance with accounting standards customarily used by businesses such as those in which the Non-Regulated Party is engaged. Each Non-Regulated Party providing a Service to a Regulated Party hereunder shall keep and maintain accounting and bookkeeping records which are adequate to enable its actual costs in connection with transactions hereunder to be audited and tracked by the Commission(s) having jurisdiction over the retail rates of any Regulated Party to whom it provides a Service hereunder.

2.4 Fair Market Value. The fair market value of a Service provided under this Agreement shall mean the cost determined by making a good faith effort to

identify the resources necessary to perform the Service, and the value of such Service based on a general knowledge of the relevant market for such or a similar Service as well as, if available, comparison with bids or quotations for such or a similar Service. If, despite good faith efforts, a Providing Party is not able to determine the fair market value of a Service it provides to a Receiving Party, the fair market value shall be deemed to be equal to the Providing Party's cost, calculated as described in this Agreement, incurred in providing the Service.

**Article III**     **Billing; Payment; Related Provisions**

- 3.1 Each Providing Party shall, for any month in which it provides a Service hereunder, render a monthly bill to each Receiving Party reflecting the charges for Services provided in the preceding month. Each bill shall include sufficient information and be in sufficient detail to permit each Receiving Party 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 so rendered, each Receiving Party shall promptly pay any undisputed portion of the bill within ten (10) business days.
- 3.3 If a Receiving Party 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 the Providing Party in writing as to its reasons for its dispute. The Parties involved in such dispute shall then meet to resolve in good faith the dispute, and shall involve the other Parties in the resolution of the dispute to the extent necessary and appropriate.

**Article IV**      **Accounting; Records; Reports**

- 4.1 Each of the Regulated Parties shall keep all its accounts and records in accordance with the relevant requirements promulgated by the Commission(s) with jurisdiction. Without limiting the foregoing, each of the Regulated Parties shall maintain adequate books and records with respect to all of its transactions under this Agreement and shall record the costs to be allocated to any Party hereunder in appropriate accounts in its general ledger system. The Regulated Parties shall each maintain internal controls to ensure that it allocates and bills the costs associated with all transactions under this Agreement properly and consistently in accordance with the terms and provisions of this Agreement.
- 4.2 Each year by May 1, each of the Regulated Parties shall submit to the person or department designated by its Commission or its Commission's staff: (i) billing reports showing its charges, as a Providing Party, to any Receiving Party to which it provided Services hereunder during the preceding calendar year; and (ii) billing reports showing its payments, as a Receiving Party, for Services received from Providing Parties hereunder during the preceding calendar year.
- 4.3 Every year there shall be an internal audit of transactions under this Agreement for the purpose of testing compliance with the Agreement. Such audit may be either a discrete audit solely of Services under this Agreement or may be an audit of the Services under this Agreement and other affiliated interest service agreements. The internal audit shall include, but not be limited to, the following: 1) the accuracy of the derivations of costs billed by the Providing Parties; 2) the determination that the costs billed to the Regulated Parties are priced at the lesser of cost or fair market value, based on the studies and updates required by Section 4.4; 3) the determination that Services provided by the Regulated Parties

to the Non-Regulated Parties, except Integrys Support, are billed at the higher of cost or market, based on the studies and updates required by Section 4.4; and 4) the accuracy of invoices issued under the Agreement during the year. The Regulated Parties 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 audit year. The first such audit report shall pertain to the period ending December 31 of the year in which this Agreement is effective, and shall be due on or before July 1 of the following year. Subsequent audit reports shall be due July 1 following the calendar year that is the subject of the audit.

- 4.4 Every third year, on or before May 1, the Parties shall conduct a new study of the cost of Services provided hereunder for the purpose of testing compliance with the provisions of this Agreement requiring charges at the fair market value and to analyze the market price of services provided. The study shall include Services provided between a Regulated Party and a Non-Regulated Party at cost. The study shall be updated at least annually. The Parties shall notify the person or department designated by the Commissions or the Commissions' staffs of the availability of the study and annual update and, if requested, make such available for review at the Commission's offices. The first such new study shall pertain to the period ending December 31, 2011, and shall be due on or before May 1, 2012.

**Article V**      **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.

**Article VI**      **Liability and Indemnity**

- 6.1 Each Party (for purposes of this Section 6.1, each an "Indemnifying Party") shall indemnify and save harmless each other Party (for purposes of this Section 6.1, each an "Indemnified Party") from any and all damages, expenses, claims, costs, attorneys' fees or other injury, including without limitation injury to person, life or property and further including injury resulting in the death of any person or persons ("Damages") in any manner arising out of or in connection with the willful or negligent acts or omissions of the Indemnifying Party in the performance of this Agreement. In the event that one or more Indemnified Parties is made a party to any suit or litigation on account any actual or alleged Damages, the appropriate Indemnifying Party or Parties will defend such action on behalf of the Indemnified Party or Parties and, if judgment shall be obtained or claim allowed in any of said proceedings against one or more Indemnified Parties, the

appropriate Indemnifying Party or Parties will pay and satisfy such judgment or claim in full.

- 6.2 Each Party agrees that no other Party shall be liable to it for special, punitive, consequential, exemplary or incidental damages or other such losses, damages, costs or liabilities arising from any cause whatsoever, whether occasioned by the negligent acts or omissions of a Party or its employees, agents or representatives or otherwise.

**Article VII**    **Additional Provisions**

- 7.1 This Agreement shall become effective upon the first day of the first fiscal year quarter following issuance of all approvals or waivers as might be required by law, from each and all of the Commissions. 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 the Regulated Parties shall give written notice to the Commissions of changes to Appendix A or Appendix B reflecting the current Parties to this Agreement. Any change to Appendix C reflecting the Services and categories of Service provided hereunder shall not require the prior approval of the Commissions but the Regulated Parties shall

give sixty (60) days' prior written notice to the Commissions of changes to Appendix C.

- 7.3 A Party leaving the Integrys holding company system may continue to receive Services from any Providing Party hereunder for a reasonable transitional period of time following such departure from the Integrys holding company system. Once any such departure has occurred and the Party has ceased receiving Services, an updated Appendix A and/or B shall be filed with the Commissions.
- 7.4 In providing all Services, any Providing Party 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 Parties hereunder.
- 7.5 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 which it uses to protect its 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 7.5 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.

7.6 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of any Providing Party hereunder will be for the direct or indirect benefit or common interest of all of the Receiving Parties, 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.

7.7 The Parties hereby appoint all Providing Parties as their agent to represent them in performing services for or on their behalf in providing Services hereunder. The Parties also authorize all Providing Parties hereunder to purchase (*i.e.*, take title to) various commodities, goods and assets in connection with their performance of Services hereunder, and to resell (*i.e.*, convey title to) such commodities, goods and assets to the Parties, including to Receiving Parties, if necessary in the course of performing Services hereunder. Any resale of such commodities, goods and assets by Providing Parties to Receiving Parties and/or any use of such commodities, goods or assets by Providing Parties in the provision of Services hereunder shall be at the costs incurred by such Providing Parties, to be allocated among the Receiving Parties pursuant to the methodologies prescribed herein. The Providing Parties shall be accountable for all funds advanced or collected on behalf of a Receiving Party in connection with any transaction in respect of which a Providing Party provides Services. The provision of Services by a Providing Party 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 a Providing Party or its provision of Services hereunder.

- 7.8 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.
- 7.9 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.
- 7.10 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.
- 7.11 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.
- 7.12 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 Regulated Party 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(s) in which such Regulated Party conducts its state-regulated utility operations.

- 7.13 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 as of the day and year first above written.

INTEGRYS ENERGY GROUP, INC.

INTEGRYS BUSINESS SUPPORT, LLC

[for itself and on behalf of all Non-Regulated Parties other than Integrys Business Support, LLC, Integrys Energy Services, Inc. and the subsidiaries of Integrys Energy Services, Inc.]

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

WISCONSIN PUBLIC SERVICE CORPORATION

By

By

Name

Name

Title

Title

INTEGRYS ENERGY SERVICES, INC.

WISCONSIN VALLEY IMPROVEMENT  
COMPANY

[for itself and on behalf of its subsidiaries]

By

By

Name

Name

Title

Title

## **Appendix A -- Regulated Parties**

### **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 Rosemont, Minnesota, 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 electric service

### **Wisconsin Public Service Corporation**

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

### **Wisconsin Valley Improvement Company**

a Wisconsin corporation headquartered in Wausau, Wisconsin, created under Wisconsin law for the purpose of building, maintaining and operating dams and reservoirs on the Wisconsin River and its tributaries for the purposes of improving navigation, decreasing the hazard of flooding, and providing a uniform flow for all public purposes. WVIC is owned by the downstream owners and operators of hydroelectric facilities (including WPSC) that receive water power benefits from WVIC's operations. WVIC charges its owners cost-based tolls that are fixed by the PSCW. WVIC's ownership and operation of its dams and reservoirs is regulated by the FERC.

**Appendix B – Non-Regulated Parties**

**Integrys Energy Group, Inc. and its subsidiaries not listed on Appendix A or on this Appendix B**

**Integrys Energy Services, Inc. and its subsidiaries**

**Integrys Business Support, LLC**

## Appendix C – Services

Subject to the limitations set forth in Section 1.1 and applicable state and federal requirements, a Party may provide to or receive from any other Party the Services described in this Appendix C.

“Major Services” shall mean Services identified as such in this Appendix C and for which Parties expect that, in the normal course of business and under normal operating conditions, they shall provide on a regular or day-to-day basis. “Incidental Services” shall mean Services identified as such in this Appendix C and for which the Parties expect that, in the normal course of business and under normal operating conditions, they shall provide infrequently or, if provided on a regular or day-to-day basis, shall represent an insignificant amount of intercompany services provided by the Providing Party.

I. Any Regulated Party may provide to or receive from any other Regulated Party the following Services:

### Major Services

1. **Operational Support - Electric Utility:** Provide services to operate and support electric utility operations, such as compliance with independent system operator requirements; engineering, construction, design, operation and maintenance; contract management, including marketing and procurement; electric capacity, energy and transmission services; FERC, NERC and other regulatory compliance; field services; system planning, analysis and projections.
2. **Operational Support - Gas Utility:** Provide services to operate and support gas utility operations, such as construction, design, operation and maintenance; field services.
3. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity; energy conservation support; marketing and sales work.
4. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.

### Incidental Services

1. **Fleet:** Maintain vehicles; transport materials and supplies.
2. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of Integrys Support.
3. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee’s normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).

II. Any Non-Regulated Party may provide to or receive from any Regulated Party the following Services:

## Incidental Services

1. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee's normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).
  2. **Fleet:** Maintain vehicles; transport materials and supplies.
  3. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of Integrys Support.
  4. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity.
  5. **Operational Support:** Provide services to operate and support energy operations.
  6. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.
- III. In addition to providing and billing for the Services described above and in Section 1.1, any Party may allocate costs to any other Party as follows:
1. **Cost Allocations:** Payment of an invoice or refunds of credits by one or more Parties for goods or services for which another Party or other Parties benefitted; charges for systems owned by one Party and used by one or more other Parties; financing charges, such as those arising from intercompany loans (provided, however, that no Party shall charge costs to Wisconsin Public Service Corporation for intercompany loans); fees for credit lines available to more than one Party; transfers of renewable energy credits or other items of value; use of any airplane owned by Integrys; use of housing owned or rented by Integrys; benefit plans; transfer of benefits, such as vacation time when an employee transfers employment; and shared personnel, including management, regulatory, corporate directors and officers and their support personnel.
  2. **Transition:** When an employee moves from a position with one Party to a position with another Party, provide services, for a transition period, appropriate to assist the person(s) assuming responsibility for tasks formerly performed by the employee in his former position.
  3. **Short Term Assignments:** When an employee assumes responsibilities, on a short-term (less than two years) basis, with another Party (subject to any otherwise applicable restrictions such as affiliated interest requirements) but does not become an employee of the other Party, provide services required by the new position and allocate costs appropriately.
- IV. Any Non-Regulated Party may provide to or receive from any other Non-Regulated Party any Service.

## **ADDENDUM TO AFFILIATED INTEREST AGREEMENT**

Notwithstanding the provisions of the Affiliated Interest Agreement (“Agreement”) by and among Integrys Energy Group, Inc. (“Integrys”), the regulated subsidiaries of Integrys listed on Appendix A of the Agreement, and the non-regulated subsidiaries of Integrys listed on Appendix B of the Agreement, Minnesota Energy Resources Corporation will submit to the Minnesota Public Utilities Commission (“Commission”) for approval any changes in the Parties to the Agreement or changes in the services covered by the Agreement, as required by Minn. Stat. § 216B.48. As required by the Commission’s September 14, 1998 Order in Docket No. E,G-999/CI-98-651, such changes will be submitted within 30 days.

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA            )  
  ) ss  
COUNTY OF HENNEPIN        )

Amber S. Lee hereby certifies that on the 25th day of April, 2012, on behalf of Minnesota Energy Resources Corporation (MERC) she electronically filed a true and correct copy of the Annual Affiliated Interest Filing on [www.edockets.state.mn.us](http://www.edockets.state.mn.us). Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

/s/ Amber S. Lee \_\_\_\_\_  
Amber S. Lee

Subscribed and sworn to before me  
this 25th day of April, 2012.

/s/ Paula Bjorkman  
Notary Public, State of Minnesota

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Gregory	Walters	gjwalters@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	3460 Technology Dr. NW  Rochester, MN 55901	Paper Service	No	OFF_SL_10-783_AI-10-783