

REQUEST NO. DLH 1.05: Referring to Appendix C of the WEC Energy AIA, please identify every difference in this agreement from the Master Regulated Affiliated Interest Agreement approved in Docket No. 07-0361. Please explain the rationale for all differences.

RESPONSE:

In this response, “legacy Integrys” refers to Integrys Energy Group, Inc. and its subsidiaries as they existed prior to the June 29, 2015 acquisition by Wisconsin Energy Corporation. “WBS” refers to WEC Business Services LLC and its predecessor Integrys Business Support, LLC (“IBS”). On June 29, 2015, IBS’ name changed to WBS.

The WEC Energy AIA includes the following proposed changes:

1. Appendix C would replace Exhibits B and C of the referenced agreement and of the non-regulated counterpart to the referenced agreement. To accommodate the combination of the exhibits and the combination of the regulated and non-regulated versions of the service company agreements, (a) the first part of the Appendix is divided into services that the service company (WEC Business Services LLC or “WBS”) may provide to any party and services that WBS may provide to regulated parties; (b) an introductory sentence is added (“Subject to the limitations”) to further divide the regulated / non-regulated part of the Appendix; (c) language is added to show the break with the allocation factor section, which is a separate exhibit under the referenced agreement; and (d) the words “Client Companies” are replaced with “Parties.”
2. Names of service categories and allocation factors are alphabetized.
3. Names of services are revised for consistency with the WEC Energy organization and to make the presentation uniform. For example, the word “Services” is not part of a name and the description uses the word “means” and not “represent” or “refers to” [e.g., “‘Administrative’ means ...” and not “Administrative services represent”] More specifically:
 - a. “Administrative services” is renamed “Administrative.”
 - b. “Communications” is a distinct service and not a subset of “Government Relations, Corporate Communications, and Regulatory Processes.”
 - c. “Customer relations” is renamed “Customer.”
 - d. “Financial services” is renamed “Finance.”
 - e. “Legal services” is renamed “Legal and Governance.”

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- f. "Corporate development" is not a distinct category. The functions fit in various other categories.
- g. "Corporate secretary" is not a distinct category. The functions are in "Legal and Governance."
- h. "Government Relations, Corporate Communications, and Regulatory Processes" is not a distinct category." The functions fit variously in "Communications" and "External Affairs."
- i. "Engineering Services" is renamed "Operational Support and Development" and, as described below, expanded.
- j. "External Affairs" is a new category that includes some functions previously under "Government Relations, Corporate Communications, and Regulatory Processes."
- k. "Gas Supply" is renamed "Wholesale Energy and Fuels" and, as described below, expanded.
- l. "Project Services" is not a distinct category. The functions fit in various other categories. For example, support for gas engineering projects would fit under "Operational Support and Development."

Services

4. Administrative: (a) The words "excluding power plants" are omitted because it would be reasonable for WBS to perform facility management for a power plant, just as it may do so for any other facility. (b) The parenthetical words "including customer bills and inserts" are omitted as an example of printing services. Customer bill and insert printing is no different from any other type of print service and calling it out as a specific example does not substantively add anything to the agreement. (c) "Number of Office Moves" and "FTE Work Estimate" are removed as possible cost allocators. "Number of Office Moves" is covered under "Number of Transactions" (see below). Experience showed that "FTE Work Estimate" was not useful for this category.

5. Communications: Although a new stand-alone category, the function is substantially the same as what is currently the "Corporate Communications" part of "Government Relations, Corporate Communications, and Regulatory Processes." The allocators are mainly the same as for "Government Relations, Corporate Communications, and Regulatory Processes" but do not include "Total Property, Plant and Equipment."

6. Corporate Secretary: This service is part of "Legal and Governance" and is no longer a distinct category.

7. Customer: (a) Added to this service is "claims management." "Claims management" is a function that was formerly part of "Legal Services" and is now within the Customer function. (b) This service is moved from one available only to regulated

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parties to one available to all parties. In particular, claims management applies to all companies. (c) The additional allocators are “Number of Meters,” “Call Volume” and “General/Corporate.” The first two are a good fit for customer-related services and “General/Corporate” is the “Legal Services” allocator that applies to claims management under the referenced agreement.

8. Environmental: (a) The word “laws” replaces “statutes” to simplify the language. (b) “General/Corporate” and “MW” are added as allocators. “General/Corporate” is a useful allocator for small overhead dollars that are not a good fit for more specific allocators. “MW” is an appropriate allocator for environmental activity tied to electric generation.

9. External Affairs: This category is substantially the same as “Government Relations, Corporate Communications, and Regulatory Processes,” except that the Corporate Communications element has been removed and made a distinct category.

10. Finance: (a) Added to this service “risk management” and “manage insurance.” “Risk management” is an inherent part of financial services in a corporation and the words are added to make this explicit. Insurance services is a function that was part of “Legal Services” and is now within the “Finance” function. (b) “Number of Invoices Processed” is no longer a distinct allocator but is part of “Number of Transactions” (see below).

11. Human Resources” (a) A sentence describing compliance functions is added to recognize that the Vice President of Human Resources is WEC Energy’s corporate compliance officer. (b) “General/Corporate” is added as an allocator, as this allocator was associated with the compliance function when it was solely within “Legal Services.”

12. Information Technology: Several allocators have been deleted based on experience with this service (e.g., “square footage” and “call volume” were not useful allocators) and to reflect the consolidation of certain allocators (as discussed below). “General/Corporate” is added as a useful allocator for small overhead dollars that are not a good fit for more specific allocators.

13. Legal and Governance: As stated above, claims and insurance are no longer part of “Legal Services”; some, but not all, compliance is the Human Resources Vice President’s responsibility (but securities law compliance is expressly described in “Legal and Governance”); and corporate secretary functions are now described in “Legal and Governance” and not as a distinct service.

14. Supply Chain: (a) Supplier diversity, while always part of Supply Chain’s responsibilities, is identified as a specific item to reflect its importance. (b) The allocator “Number of Inventory Transactions” is now “Number of Transactions” to reflect the consolidation of certain allocators (see below).

15. Operational Support and Development: Formerly “Engineering services,” this category is broader in that it encompasses gas and electric utility distribution system support, while, for legacy Integrys, it was limited to gas. It also now expressly includes

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training, project management, and operational compliance in lieu of “competitive excellence” and “stewardship support.” The changes are proposed to be more specific about what the function includes and to reflect that WBS may take a wider role in these areas. For example, for legacy Integrys, electric distribution system operational support was handled by Wisconsin Public Service Company employees (union and non-union) and not WBS. Training and operational compliance are added to recognize the importance of these functions and the fact that they are functions that may occur at WBS as well as at the utility. For the allocators, “Number of Employees” and not “Number of Union Employees” is used to reflect the consolidation of certain allocators (see below); “MW” is added to reflect the inclusion of electric distribution services; “Project Specific Allocator” is added (but inadvertently not included as an allocator), and this allocator would be expected to be useful given the “project management” services listed above.

16. Wholesale Energy and Fuels: Formerly “Gas Supply,” this category is broader in that it encompasses gas and electric supply. The changes are proposed to reflect that WBS may take a wider role in this area. For example, for legacy Integrys, electric supply support was handled by Wisconsin Public Service Company employees or by WBS personnel in other areas (e.g., Legal Services). Specific references are omitted so that the service can cover gas and electric and “MW” is added as an allocator.

17. Project Services: As stated above, this category is deleted. The functions will fit within other categories depending on the project.

Allocators

18. The hierarchy of allocation remains the same (direct charging, specific allocation using cost causation principles, and broad-based general), but the proposed agreement includes editorial changes for clarity and consistency (e.g., “service” is capitalized as a defined term; “Party” is used in lieu of “entity” or “customer”).

19. As stated above and in the Petition, some allocators have been consolidated. This is to allow a more general description to encompass subsets (e.g., “Number of Customers” may be all customers, sales customers, transportation customers, residential customers, and others) without trying to enumerate every possible customer group.

20. As stated in the Petition, wording for when and how the allocators are determined is standardized when possible, using the phrases “for the most recent 12 months for which data are available or for a forecast 12-month period at the time the budget is prepared” and “[t]his ratio will be determined annually or more frequently if required due to a significant change in circumstances.”

21. “Number of Transportation Customers” is eliminated as a distinct category and is part of “Number of Customers.”

22. “Number of Union Employees” is eliminated as a distinct category and is part of “Number of Employees.”

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23. The following are eliminated as distinct categories and part of “Number of Devices”: “Number of Personal Computers”; “Number of Mobile Data Devices”; “Number of Radios”; and “Number of Phone Lines.”
24. The following are eliminated as distinct categories and part of “Number of Transactions”: “Number of Inventory Transactions”; “Number of Clicks”; “Number of Invoices Processed”; and “Number of Office Moves.”
25. “Hydro MW Distribution” is broadened to “Megawatts (MW),” *i.e.*, it is not limited to hydroelectric.
26. “Mainframe CPU and Disk Storage” is renamed “CPU and Disk Storage.” This is an editorial change.
27. “Specific Project Assignment” is deleted. As explained above, North Shore/Peoples Gas did not include in the filing but propose to add “Project Specific Allocator.”