

MASTER REGULATED AFFILIATED INTEREST AGREEMENT

THIS MASTER REGULATED AFFILIATED INTEREST AGREEMENT (“Agreement”) is entered into this 21st day of December, 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

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

1.0 Provision of Services by Integrus 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, Integrus Support shall furnish to each Client Company services in those categories listed and described in Exhibit B. Integrus 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 Integrus 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 Integrus Support hereunder, the Parties shall comply with the requirements of Section 7.3. In connection with its provision of services hereunder, Integrus 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.

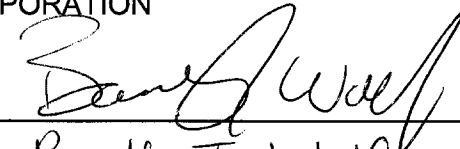
- 7.12 The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
- 7.13 This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, 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

By 
Name Barth J. Wolf
Title Secretary


WISCONSIN PUBLIC SERVICE CORPORATION

By 
Name Barth J. Wolf
Title Secretary

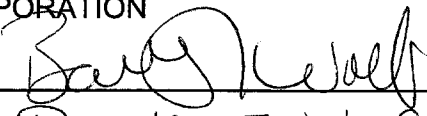
UPPER PENINSULA POWER COMPANY

By 
Name Barth J. Wolf
Title Secretary

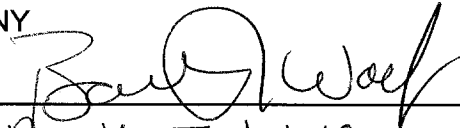
MICHIGAN GAS UTILITIES CORPORATION

By 
Name Barth J. Wolf
Title Secretary

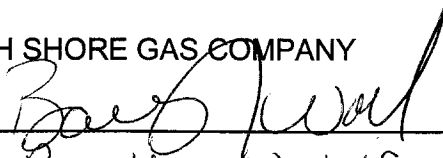
MINNESOTA ENERGY RESOURCES CORPORATION

By 
Name Barth J. Wolf
Title Secretary

THE PEOPLES GAS LIGHT AND COKE COMPANY

By 
Name Barth J. Wolf
Title Secretary

NORTH SHORE GAS COMPANY

By 
Name Barth J. Wolf
Title Secretary

Dated:
December 21, 2007

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

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

Expected 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.

2. Corporate development

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. Determine, implement and track corporate performance goals, initiatives and measures.

Expected Allocation Factors – (1) General/Corporate.

3. Corporate secretary

Corporate secretarial services required of a publicly held corporation, including shareholder, board of director and related committee meetings and minutes.

Expected Allocation Factors – (1) General/Corporate.

4. Environmental

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.

Expected Allocation Factors – (1) FTE Work Estimate.

5. Executive management

Executive management and oversight. Includes the formulation of general business plans and policies, selection of key management personnel, and allocation of financial resources.

Expected Allocation Factors – (1) General/Corporate.

6. External affairs

Preparation and dissemination of information to employees, customers, government officials, the public and the media. Governmental relations, community support and economic development. Analysis and formulation of regulatory policy, rate case preparation and rate administration.

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

7. Financial services

Accounting, finance, treasury, tax, internal audit and relating financial services. 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.

Expected 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

Establishment and administration of policies and assuring compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Provide payroll and employee benefit administration. Provide employee training and development, recruiting and staffing services, employee communications and labor relations management.

Expected Allocation Factors – (1) Number of Employees.

9. Information technology

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.

Expected 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.

10. Legal services

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

Expected Allocation Factors – (1) General/Corporate.

11. Supply chain

Acquisition and provision of goods and services other than fuel, energy commodities or energy transmission. Material inventory management, contract administration services, warehousing and logistics services. Establishment of standards, purchase and oversee the operation and maintenance of vehicles and related equipment.

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

12. Gas engineering

Engineering support to gas distribution operations. Design and monitor the construction and maintenance of gas distribution lines. Ensure that construction activity is consistent with plans. Coordinate the planning and operation of gas distribution systems. Perform operational reviews of completed construction and maintenance work of gas distribution lines. Operate meter shops.

Expected 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

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.

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

14. Customer relations

Provide 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.

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

15. Project Services

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.

Expected 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.

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 PCs.
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.

A Summary of IBS Software Amortization, Depreciation, and Return on Investment Charges

Line Number		-----UPPCO Only-----			-----All Other IBS Affiliates-----			-----Total IBS-----		
		2010	2012	Increase	2010	2012	Increase	2010	2012	Increase
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Total Software Amortization and Depreciation Charges	\$ 862,576	\$ 1,140,780	\$ 278,204	\$ 20,982,158	\$ 23,402,417	\$ 2,420,260	\$ 21,844,737	\$ 24,543,192	\$ 2,698,455
2										
3	Software Amortization	\$ 464,512	\$ 750,537	\$ 286,025	\$ 7,254,517	\$ 9,495,281	\$ 2,240,764	\$ 7,719,029	\$ 10,245,818	\$ 2,526,789
4										
5	All Other	\$ 398,064	\$ 390,243	\$ (7,821)	\$ 13,727,641	\$ 13,907,136	\$ 179,495	\$ 14,125,707	\$ 14,297,373	\$ 171,666
6										
7										
8										
9										
10	Total Return on Investment Charges	\$ 222,473	\$ 341,967	\$ 119,494	\$ 5,983,077	\$ 6,570,812	\$ 587,735	\$ 6,205,550	\$ 6,912,779	\$ 707,229
11										
12	Software Amortization	\$ 216,367	\$ 292,099	\$ 75,732	\$ 3,007,938	\$ 3,424,922	\$ 416,984	\$ 3,224,305	\$ 3,717,021	\$ 492,716
13										
14	All Other	\$ 6,106	\$ 49,868	\$ 43,762	\$ 2,975,140	\$ 3,145,891	\$ 170,751	\$ 2,981,245	\$ 3,195,758	\$ 214,513
15										
16										
17										
18										
19										
20	Total Software Amortization, Depreciation, and Return on Investment Charges	\$ 1,085,049	\$ 1,482,747	\$ 397,698	\$ 26,965,235	\$ 29,973,230	\$ 3,007,995	\$ 28,050,287	\$ 31,455,971	\$ 3,405,684
21										
22	Software Amortization	\$ 680,879	\$ 1,042,636	\$ 361,757	\$ 10,262,455	\$ 12,920,203	\$ 2,657,748	\$ 10,943,334	\$ 13,962,839	\$ 3,019,505
23										
24	All Other	\$ 404,170	\$ 440,111	\$ 35,941	\$ 16,702,780	\$ 17,053,027	\$ 350,246	\$ 17,106,953	\$ 17,493,132	\$ 386,179