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BEFORE THE
ILLINOIS COMMERCE COMMISSION
PUBLIC UTILITY REGULAR OPEN MEETING
Wednesday, November 9, 2016
Chicago, Illinois

Met pursuant to notice at 10:30 a.m. at
160 North LaSalle Street, Chicago, Illinois.

PRESENT:

- BRIAN J. SHEAHAN, Chairman
- JOHN R. ROSALES, Commissioner
- SHERINA MAYE EDWARDS, Commissioner
- MIGUEL DEL VALLE, Commissioner
- ANN McCABE, Commissioner

SULLIVAN REPORTING COMPANY, by
CHRISTA YAN
CSR No. 084-004816

1 CHAIRMAN SHEAHAN: Good morning. Are we ready
2 to proceed in Springfield?

3 CHIEF CLERK: Yes, we are.

4 CHAIRMAN SHEAHAN: Pursuant to the Open
5 Meetings Act, I call the November 9, 2016, Regular
6 Open Meeting to order.

7 Commissioners McCabe, del Valle,
8 Edwards, and Rosales are present with me in Chicago.
9 We have a quorum.

10 We have no requests to speak and will,
11 therefore, move into our Regular Public Utility
12 Agenda.

13 There are edits to our minutes of the
14 October 19 and 26 meetings. Are there any objections
15 to approving the minutes as edited?

16 Hearing none, the minutes as edited
17 are approved.

18 We have one item of business at the
19 beginning of our meeting this morning. We have a
20 report from Mr. Allen Leverett, the CEO of WEC Energy
21 Group pursuant to the status of our compliance Docket
22 Order 14-0496.

1 Mr. Leverett, would you like to join
2 us?

3 MR. LEVERETT: Any particular place you want
4 me?

5 CHAIRMAN SHEAHAN: Wherever you'd like.

6 MR. LEVERETT: All right.

7 CHAIRMAN SHEAHAN: The floor is yours, sir.

8 MR. LEVERETT: All right. If it's okay,
9 Chairman Sheahan, what I'd like to do is give you
10 some prepared comments. And then if there are any
11 questions, I'll be happy to take those.

12 So good morning, everybody. My name
13 is Allen Leverett, I am the Chief Executive Officer
14 of WEC Energy Group. Through our operating
15 utilities, we serve nearly 4.5 million customers in
16 the Midwest including 1 million customers that are
17 Illinois natural gas utilities, Peoples Gas as well
18 as North Shore Gas.

19 And I thank you for the opportunity to
20 appear today, and I want to update you on our
21 progress in Illinois. And as I said after my
22 remarks, I'll be happy to answer any questions that

1 all of you might have.

2 Now, immediately upon the closing of
3 our acquisition of Peoples Gas and North Shore Gas,
4 we began integrating Wisconsin Intervene and Integris
5 businesses as part of that integration and review to
6 identify ways we can improve equality, reliability,
7 and cost effectiveness of our utility services.

8 I'm pleased to report that our
9 integration is essentially complete, and its success
10 has exceeded our expectations. At Peoples Gas, for
11 example, we have moved a number of customer facing
12 functions from the shared service company into the
13 utility. And we believe this step will greatly
14 enhance our ability to better serve our customers
15 here in Illinois.

16 Improving the operation of our
17 utilities across four states is a continuous process.
18 We're focused on enhancing customer service
19 throughout our footprint and improving our supplier.
20 I am confident that we will meet those challenges and
21 achieve continued improvement of our businesses and
22 practices.

1 Ultimately, we want to achieve and
2 maintain world class levels of reliability, safety,
3 and customer satisfaction. As to the primary purpose
4 of my appearance today, I'm pleased to report that
5 WEC Energy Group is in compliance with all the
6 conditions included in direct acquisition approval
7 over the last year.

8 I want to discuss three topics in
9 particular importance, the Peoples Gas System
10 Modernization program, or SMP as we call it; our
11 relationship with the City of Chicago; and our
12 commitment to training our future workforce.

13 Now, we recognize that the Peoples Gas
14 System Modernization Program remains a top priority
15 to the Commission, and I want to show you that the
16 program remains a top priority for us as well. It
17 was clear to our team from the beginning that the
18 program needed a fresh start.

19 We've made significant improvements in
20 the program. Let me give you a sense for some of the
21 more important steps we've taken. We've transitioned
22 primary responsibility for implementation from an

1 outside engineering firm, our own in-house team here
2 in Chicago. We developed a new construction team
3 that includes talent and experience in engineering,
4 construction, contracting and project controls.

5 We improved the coordination of our
6 work to produce customer disruption and public
7 inconvenience. We structured the agreements with our
8 contractors so that their performance in the area is
9 a safe and quality customer service and impacts the
10 amount that they are paid.

11 In addition, we're seeing the
12 reduction in the cost of construction services for
13 our projects. Finally, we developed a rolling
14 three-year approach to planning our System
15 Modernization Program. We believe this approach
16 provides a better way to plan our work as well as
17 measure our performance.

18 I'm encouraged by the results we have
19 seen today from our changes in the Peoples Gas System
20 Modernization Program. We now expect to complete
21 approximately 90 percent of our planned scope of work
22 for 2016 on time.

1 We have also taken opportunities to
2 bring high value work forward in 2017, and we have
3 seen favorable pricing from contractors bidding on
4 new work. I'm also pleased with the improved working
5 relationship we have formed with the City of Chicago.

6 Last year, we entered into a
7 comprehensive agreement with the City that will
8 enable us to better perform our future construction
9 activities and reduce the inconvenience to the
10 citizens of Chicago.

11 So what does that mean from a
12 practical standpoint? Now, the top executives at
13 Peoples Gas meet monthly with key City of Chicago
14 officials to review work plans, open issues, and
15 address areas where additional improvement is needed.
16 We have integrated the System Modernization Program
17 with CDOT's electronic mapping tool for improved
18 planning, permitting, and implementation.

19 And now we share our construction
20 schedules and hold weekly meetings to coordinate work
21 plans and resolve issues. The City has changed its
22 construction regulations so they will be able to better

1 execute its construction plan and reduce cost to
2 customers.

3 I also want to thank all of you for
4 initiated the workshops that affirm the need to
5 replace the natural gas infrastructure in Chicago.
6 These workshops identify areas where we can and must
7 do better, such as providing detailed project
8 construction schedules with the City of Chicago,
9 minimizing the disruption our work causes, as well as
10 improving and shortening the time associated with our
11 restoration efforts.

12 We also began construction of a
13 state-of-the-art training facility at a reclaimed gas
14 manufacturing site in the Little Village neighborhood
15 on July 6th. This \$20 million investment will create
16 a 100,000 square foot facility that will be used to
17 train our employees to install and service natural
18 gas pipes and meters, conduct safety inspections,
19 investigate leaks, and respond to emergencies.

20 The general contractor and over
21 85 percent of subcontractors in our new training
22 facility are minority owned firms. This is just one

1 example of our commitment to diversity in our
2 contracting. One of our core values is safety. Too
3 many of the employees of Peoples Gas and North Shore
4 Gas are being injured at work.

5 Our senior team has placed a
6 tremendous amount of focus and effort on reducing the
7 frequencies as well as the severity of injuries. For
8 the end of the third quarter of this year, OSHA
9 reported the events and injuries at Peoples Gas and
10 North Shore Gas were nearly half the level we saw in
11 the same period in 2015.

12 Another one of our core values is
13 creating an excellent experience for every customer
14 by offering truly personal care every customer, every
15 transaction, every time. Our electric and natural
16 gas utilities in Wisconsin consistently rank among
17 the best energy companies and customer service and
18 satisfaction.

19 We are working hard to instill the
20 same focus in customer care at Peoples Gas and North
21 Shore Gas. We have empowered our employees to
22 resolve issues with customers before they become

1 complaints. We have also investigated significant
2 resources to increase customer satisfaction.

3 The most notable investment over the
4 past year is the return of our Illinois Customer Care
5 Center. This has created 100 local jobs and cut
6 customer call wait times in half. We also recognize
7 the importance of getting our job done and then
8 restoring the areas that have orders.

9 We had a backlog of approximately
10 1,500 customer complaints last year. We created a
11 dedicated team to resolve these complaints and have
12 since resolved the entire backlog. We now have a
13 team of specialists who not only log, monitor, and
14 report on field complaints, but also work with our
15 new customer satisfaction field resources to ensure
16 that we continue to improve the customer service
17 experience.

18 Since the acquisition, we have cut
19 both the number of complaints and the time it takes
20 to resolve complaints in half. The efforts at
21 Peoples Gas over the past year to modernize its
22 systems have had a direct and positive effect on leak

1 grade performance.

2 In the first half of 2016, we reduced
3 the backlog of outstanding Class 2 leak reports at
4 Peoples Gas by 90 percent. Overall, the number of
5 hazardous said leaks from our distribution system is
6 down 20 percent since 2010.

7 I'm very proud of the contributions
8 our employees have made to the communities we serve.
9 This year, Peoples Gas was recognized as a top 25
10 United Way company.

11 In addition, our senior executives are
12 playing an active role in the community by joining a
13 number of boards and leading local and community
14 organizations. Our working relationship with our
15 union employees in Illinois is cooperative and
16 constructive. Our new local call center is staffed
17 by represented employees.

18 We've also brought in 85 utility
19 workers as well as 80 seasonal project workers
20 through our collaboration with the City Colleges of
21 Chicago and Local 18007 of the Utility Workers Union
22 of America.

1 Finally, the System Modernization
2 Program of Peoples Gas is expected to reduce natural
3 gas and methane emissions by an equivalent of 230,000
4 metric tons of carbon dioxide over the course of the
5 program. This would translate to removing almost
6 50,000 vehicles from the road over the same period.

7 So in summary, we have made a
8 tremendous amount of progress at our Illinois
9 operations. We set and are achieving measurable
10 goals I have reviewed with you today. Through the
11 achievement of these and future goals, I expect
12 sustained operational improvement.

13 So I would now be happy to answer any
14 of your questions. If I can not completely address a
15 question, I'll supplement my remarks with additional
16 material.

17 CHAIRMAN SHEAHAN: Thank you, sir.

18 Commissioners, do you have questions?
19 Commissioner del Valle?

20 COMMISSIONER DEL VALLE: Thank you,
21 Mr. Chairman.

22 You said 20 percent since 2010?

1 MR. LEVERETT: Yes, sir.

2 COMMISSIONER DEL VALLE: Is that correct?

3 Okay.

4 That doesn't seem like a high
5 percentage to me. Can you explain how that breaks
6 down over the last several years?

7 MR. LEVERETT: We certainly would be happy to
8 provide you with a trajectory of the leak rate
9 reduction since 2010. I don't have that with me here
10 today, but we'd be happy to provide that information
11 to you.

12 COMMISSIONER DEL VALLE: Okay. And then you
13 also indicate that pursuant to the work for 2016, you
14 indicated that 90 percent of the work for 2016
15 already will be completed on time. Could you also
16 let us know why?

17 MR. LEVERETT: Sure. As the team worked with
18 the other stakeholders, and so the City of Chicago
19 and other stakeholders that we interact with on the
20 program in concert, we worked with them to basically
21 push the work out because that seemed to work better
22 with the other stakeholders.

1 So it was an intentional decision
2 based on the input that we have gotten.

3 COMMISSIONER DEL VALLE: Okay. Thank you.

4 CHAIRMAN SHEAHAN: Any other questions?

5 COMMISSIONER McCABE: Condition 13 was on
6 capital expenditures and from 2015, 2017, for Peoples
7 and North Shore, do you have a status report on that
8 spending?

9 MR. LEVERETT: Well, I do expect that we will
10 be in compliance within that condition. And I
11 believe the condition was a multi-year requirement.
12 So I expect we will be in compliance with that.

13 CHAIRMAN SHEAHAN: Any other questions?

14 I'm, in particular, very pleased with
15 the improving relationship with the City. It's
16 something that I have mentioned when we approved the
17 merger, I think it's something I focused on at every
18 public opportunity we had. And I think that's, you
19 know, really a key to your success, and you're making
20 great progress in that area. So thank you.

21 MR. LEVERETT: Thank you.

22 CHAIRMAN SHEAHAN: Okay. Thank you, sir.

1 Moving back to our regular agenda,
2 item E-1 concerns ComEd's Reconciliation of Revenues.
3 Are there any objections to approving the proposed
4 order?

5 Hearing none, the Order is approved.

6 Item E-2 Concerns North Shore Water
7 Reclamation District's complaint against ComEd for
8 alleged violations of the PUA and Commission Rules
9 and Practice.

10 Are there any objections to granting
11 the Motion to Dismiss with prejudice?

12 Hearing none, the motion is granted.

13 Item E-3 concerns Ameren's petition
14 for approval of a modification to the route between
15 certain substations.

16 Are there any objections to approving
17 the proposed order granting the petition?

18 Hearing none, the Order is approved.

19 Item E-4 concerns SmartEnergy
20 Holdings' Application for Certificate of Service
21 Authority.

22 Are there any objections to approving

1 the proposed Order granting the certificate?

2 Hearing none, the Order is approved.

3 Item E-5 concerns NAUP Brokerage's
4 Application for an ABC license.

5 Are there any objections for approving
6 the Order granting this?

7 Hearing none, the Order is approved.

8 Item E-6 concerns Ameren's request to
9 incur indebtedness by undertaking certain
10 obligations.

11 Are there any objections to approving
12 the proposed Order granting the requested authority?

13 Hearing none, the Order is approved.

14 Moving on to our gas agenda, Item G-1
15 concerns Peoples petition for approval of transfer of
16 an interest in property between affiliates.

17 Are there any objections to approving
18 the proposed Order approving the amended easement?

19 Hearing none, the Order is approved.

20 Items G-2 and G-3 concern North Shore
21 and Peoples Gas Reconciliation of Revenues.

22 Are there any objections to

1 considering these items together and approving the
2 proposed orders approving the reconciliations?

3 Hearing none, the orders are approved.

4 Item G-4 concerns North Shore and
5 Peoples Gas' petitions to determine the accuracy of
6 statements pursuant to Rider VBA.

7 Are there any objections for approving
8 the proposed Order accepting the adjustments and
9 approving the reconciliation?

10 Hearing none, the Order is approved.

11 Item G-5 concerns the a consumer
12 complaint against Peoples Gas.

13 Are there any objections to approving
14 the proposed Order denying the complaint?

15 Hearing none, the Order is approved.

16 Item G-6 concerns a consumer complaint
17 against Nicor.

18 Are there any objections to granting
19 the Joint Motion to Dismiss?

20 Hearing none, the motion is granted.

21 Item G-7 concerns North Shore and
22 Peoples Gas proposed new service called Rider

1 Purchase of Receivables. There are edits to the
2 proposed Order.

3 Is there a motion to approve the
4 edits?

5 COMMISSIONER ROSALES: So moved.

6 CHAIRMAN SHEAHAN: Is there a second?

7 COMMISSIONER McCABE: Second.

8 CHAIRMAN SHEAHAN: All those in favor say Aye.

9 (Chorus of "Ayes".)

10 CHAIRMAN SHEAHAN: And the edits are approved.

11 Do we have a motion to approve the
12 proposed Order as edited?

13 COMMISSIONER McCABE: So moved.

14 CHAIRMAN SHEAHAN: Is there a second?

15 COMMISSIONER: Second.

16 CHAIRMAN SHEAHAN: And any discussion?

17 Commissioner del Valle?

18 COMMISSIONER DEL VALLE: Thank you,

19 Mr. Chairman. In 2013 the Commission rejected a
20 similar purchase of receivables proposal by a
21 different utility in Docket Number 12-0569. In that
22 case, the Commission rejected unsupported benefits

1 namely lowered customer costs and increased
2 competition and established that the just and
3 reasonable review requires an empirical analysis
4 examining the benefit to customers.

5 The docket before us also lacks this
6 crucial evidence. Further, the Commission is now
7 concerned about the potential of real harm from the
8 potential effects on low income and/or credit
9 challenged customers arising from increased or
10 aggressive supplier marketing as a result of Rider
11 POR.

12 This is unacceptable especially since
13 gas suppliers do not have comprehensive rules
14 pertaining to marketing, like the electric side's
15 Code Part 412, which the Commission is currently
16 working to strengthen.

17 In the case before us, the utility
18 simply did not meet its burden nor is it accurately
19 protecting customers.

20 Accordingly, I will be voting no.

21 CHAIRMAN SHEAHAN: Commissioner McCabe?

22 COMMISSIONER McCABE: I support the proposed

1 POR which will help alternative gas suppliers be more
2 competitive and grow in number, consolidate billing
3 in POR and help the electric retail market take off.

4 That said, I share concerns about the
5 marketing practices of some retail suppliers and
6 potential impacts on customers. They had asked that
7 Staff in its annual review evaluate the report
8 whether a rule is necessary to provide additional
9 customer protection.

10 CHAIRMAN SHEAHAN: Thank you. Any further
11 discussion?

12 All those in favor say Aye, all those
13 say Nay.

14 The vote is 4-1 and the Order is
15 approved.

16 Item G-8 concerns MidAmerican's
17 request for an Order authorizing the issuance and
18 sale of an aggregate principal amount of long-term
19 debt.

20 Are there any objections to approving
21 the proposed Order approving the request?

22 Hearing none, the Order is approved.

1 Moving on to our telecommunications
2 agenda, Items T-1 through 3 concerns citations for
3 failure to maintain managerial resources and
4 abilities.

5 Are there any objections to consider
6 these items together and approving the proposed
7 orders initiating citation proceedings?

8 Hearing none, the orders are approved.

9 Judge Kimbrel, do you have any other
10 matters to bring before the Commission?

11 JUDGE KIMBREL: No.

12 CHAIRMAN SHEAHAN: Commissioners, do you have
13 any other business to bring before the Commission
14 this morning?

15 Hearing none, without objection, we
16 stand adjourned. Thank you.

17 (Whereupon, the proceeding ended
18 at 10:49 a.m.)

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