

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission	)	
On Its Own Motion	)	
	)	
v.	)	
	)	Docket No. 12-0623
The Peoples Gas Light and	)	
Coke Company	)	
	)	
Citation for failure to comply with	)	
49 CFR 192.465(d)	)	

**SUPPLEMENTAL DIRECT TESTIMONY**  
**OF**  
**THOMAS J. WEBB**

1 Q. Please state your name and business address.

2 A. Thomas J. Webb, 130 East Randolph Street, Chicago, Illinois 60601.

3 Q. Are you the same Thomas J. Webb who previously testified on behalf of The  
4 Peoples Gas Light and Coke Company (“Peoples Gas”) in this case?

5 A. Yes.

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to respond to an unsigned letter that at least  
8 three Illinois Commerce Commission (“Commission”) Commissioners received and that  
9 is posted as an *ex parte* communication on the Commission’s e-Docket website in the  
10 above-captioned proceeding (“2013 Anonymous Letter”). I supplement the discussion  
11 in my direct testimony of Peoples Gas’ organizational changes relevant to compliance  
12 with state and federal gas pipeline operations requirements, including the cathodic  
13 protection rules at issue in this case, and the impact of the changes on Peoples Gas’

14 ability to come into and sustain compliance with these requirements. Peoples Gas  
15 witness Polly M. Eldringhoff testifies about the company's investigation process in  
16 general and the specific investigation related to the 2013 Anonymous Letter (PGL  
17 Exhibit ("Ex.") 3.0).

18 Q. Please summarize the conclusions of your testimony.

19 A. My testimony will summarize the steps Integrys is taking to develop a culture of  
20 sustainable compliance at Peoples Gas.

21 Q. Do you have any attachments to your testimony?

22 A. Yes:

- 23 • PGL Ex. 4.1: Integrys Compliance Organization
- 24 • PGL Ex. 4.2: PGL/NSG Gas Compliance Policy Dated August 13, 2013
- 25 • PGL Ex. 4.3: Slides 6 and 7 of Presentation to Senior Utility Management  
26 on October 10, 2013

27 Q. Did you participate in the investigation of the allegations in the 2013 Anonymous  
28 Letter?

29 A. Yes. As part of the effort to determine the validity of the accusations I and  
30 several members of the compliance group put the events described in the letter in a  
31 timeline. We also cross-referenced the events and individuals referenced in the 2013  
32 allegation letter to a similar letter sent to Integrys in 2012. Ms. Eldringhoff includes a  
33 timeline with her supplemental direct testimony.

34 Q. Ms. Eldringhoff testifies that the allegations in the letter date to 2004 – 2006. Did  
35 you have any role in Peoples Gas' Operational Compliance at that time?

36 A. No.

37 Q. Your direct testimony described Peoples Gas' restructuring. Your exhibits  
38 included announcements and presentations from 2011 and 2012. Have any updates or  
39 changes to the structure you described in your testimony and exhibits occurred?

40 A. No.

41 Q. How does the Compliance organization you manage fit into Integrys Energy  
42 Group, Inc.'s ("Integrys") overall compliance structure?

43 A. Please reference PGL Ex. 4.1. This diagram shows that Peoples Gas' pipeline  
44 compliance is part of a larger compliance organization within Integrys. The Integrys  
45 Compliance Network consists of compliance organizations from across Integrys and  
46 includes but is not limited to individuals responsible for SOX (Sarbanes Oxley)  
47 compliance, FERC (Federal Energy Regulatory Commission) Compliance, NERC  
48 (North American Electric Reliability Corporation) Compliance, Environmental  
49 Compliance, and other areas. This network provides for mutual learning and  
50 accountability and is facilitated by Integrys' Director, Compliance. The Integrys culture  
51 of compliance is one that strives for self-identification and reporting of non-compliance,  
52 an open and honest relationship with the regulators, and a deliberate approach to  
53 assuring compliance. Therefore, there is a larger corporate culture of compliance that is  
54 driving the changes at Peoples Gas and will assure this culture is achieved and  
55 sustained.

56 Q. What is staffing for the Compliance group you manage?

57 A. In addition to me there is one supervisor and 5 support staff members.

58 Q. Are these the only personnel responsible for Peoples Gas' operational  
59 compliance?

60 A. No, the compliance group is responsible for setting up the structures and  
61 systems that will lead to and sustain our culture of compliance. But just about everyone  
62 employed by Peoples Gas has some type of compliance activity. For example, on any  
63 given day approximately 40 individuals are working to complete inside safety  
64 inspections required by 49 CFR Part 192. Additional employees are verifying the status  
65 of BBox locks, installing new mains and services in accordance with regulations,  
66 assuring drawings and records are up to date, performing leak surveys, performing leak  
67 checks and re-checks, and many other such activities. All of these activities are  
68 required by 49 CFR Part 192 or have specific requirement within 49 CFR Part 192 when  
69 they are performed. It is the responsibility of the personnel performing these activities  
70 to follow our procedures which assure compliance to the regulations.

71 Q. Exhibits included with your direct testimony (PGL Exs. 1.2 and 1.3) showed  
72 additional staffing as part of the restructuring. What is the status of hiring for those  
73 positions?

74 A. The compliance department is fully staffed, though fewer than previously planned  
75 because some of the duties originally assumed to be part of compliance were assigned  
76 to other groups. Since the start of these efforts we have increased union head count by  
77 more than 70 personnel and total personnel by more than 200. These additional  
78 personnel have been added across the organization to improve execution of field  
79 activities and compliance to pipeline safety regulations.

80 Q. Do contractors support any of the regulatory compliance work for Peoples Gas?

81 A. Yes.

82 Q. Does Peoples Gas hold its contractors to the same standards as its own  
83 employees?

84 A. Yes.

85 Q. What changes in training have occurred under the new structure?

86 A. A supervisor Training Matrix has been developed that identifies the training  
87 needs of all supervisors. This is above and beyond the typical Operator Qualification  
88 (OQ) training utilities are required to provide. This matrix is designed to assure  
89 supervisor and field engineers have the training and qualifications necessary to assure  
90 activities in the field comply with all regulations (Pipeline Safety, OSHA, etc.) and  
91 Peoples Gas's procedures. Peoples Gas is in the process of making this training  
92 available to supervisors. This effort identified the need for additional training on pipeline  
93 safety regulations (49 CFR Parts 191 and 192). This training was started this year, and  
94 an additional session is scheduled for 2013 with more sessions planned for 2014.  
95 Representatives from the Commission have attended the first sessions.

96 Q. What steps is Peoples Gas taking to ingrain new compliance expectations into  
97 the organization?

98 A. PGL Ex. 4.2 is a new policy developed by the compliance group and approved by  
99 Willard Evans, Peoples Gas' and North Shore Gas Company's ("North Shore Gas")  
100 President. This policy provides the high level expectations and initiatives that the  
101 compliance group has been and will be initiating to develop a culture of sustainable  
102 compliance. This policy is based on the US sentencing guidelines and FERC criteria for  
103 a robust compliance program. It describes the executive oversight of the gas  
104 compliance program, the roles and responsibilities of management in assuring

105 compliance, Peoples Gas and North Shore Gas approach to Commission inspections,  
106 self-reporting of violations, training and awareness related to compliance.

107 PGL Ex. 4.3 is an excerpt from a presentation to Lawrence Borgard, Integrys  
108 President and COO, Utilities, and Mr. Evans and other members of the Gas Safety  
109 Oversight Committee (refer to PGL Ex. 4.2), on October 10, 2013. Slides 6 and 7  
110 outline compliance initiatives currently being implemented by the compliance group to  
111 develop a sustainable compliance culture.

112 Q. Does Peoples Gas' senior management receive reports about operational  
113 compliance?

114 A. Monthly, Mr. Evans and the General Managers responsible for the field  
115 operations review dozens of compliance metrics that address a wide range of field  
116 activities. Most of the measures assess field activities associated with compliance to 49  
117 CFR Part 192. During these reviews areas of concern are identified and corrective  
118 action initiated to address them.

119 Also on a monthly basis, Mr. Evans and I review a smaller set of metrics with Mr.  
120 Borgard. This smaller set of metrics focuses on known areas of concern and the status  
121 of commitments to the Commission.

122 Q. Does Integrys' Internal Audit Services ("IAS") play a role in Peoples Gas'  
123 operational compliance?

124 A. Yes, as part of Peoples Gas' efforts to improve the compliance culture, we have  
125 strengthened the ties between IAS, Compliance, and field activities. IAS is aiding the  
126 field organization in developing additional controls and tests to assure compliance  
127 activities are completed as required. IAS is also supporting the compliance and the field

128 groups by auditing selected commitments made to the Commission to assure they are  
129 completed as described and address the entire issue of concern. In the future, I  
130 anticipate leveraging IAS further by requesting, in the next year or two, that IAS perform  
131 a pre-audit of records in anticipation of the Commission's records audit.

132 Q. Your direct testimony exhibits referred to a "Compliance Monitoring Group."  
133 Please describe this group's role.

134 A. The Compliance Monitoring Group ("CMG") is an independent group within the  
135 company of experienced personnel that performs field and records audits of activities  
136 associated with compliance, pipeline safety, and personnel safety. Their results are  
137 trended and non-conformances are sent to the applicable supervisor and manager for  
138 resolution. Quarterly, the manager in charge of the CMG meets with the field  
139 management to review the significant finding from the last quarter, discuss late or  
140 ineffective responses to open issues, identify if additional actions are needed to correct  
141 adverse trends, and identify areas the CMG should focus on in the coming quarters.

142 Q. In your direct testimony, you referred to Peoples Gas self-reporting an issue to  
143 the Commission. Please describe what you mean by "self-report."

144 A. Part of Integrys' culture of compliance is to identify violations of regulations prior  
145 to a regulator finding them, take corrective actions without regulator intervention, and  
146 share this information with the regulator in an open and transparent manner. Peoples  
147 Gas has implemented this process and has self-reported several issues to the  
148 Commission. When we identify a violation we self-disclose those to the Commission.  
149 Example of previous self-reports include, missed surveys and missed tests, the  
150 installation of improper material, and improperly installing the correct material.

151 Q. The 2013 Anonymous Letter includes allegations that during the author's  
152 "present" time at Peoples Gas, a director has submitted false compliance reports to the  
153 Commission. Are you aware of any instances of Peoples Gas submitting false  
154 compliance reports to the Commission?

155 A. No.

156 Q. If you became aware that Peoples Gas submitted a false report to the  
157 Commission, what steps would you take?

158 A. If the information was submitted in error, with no intention to mislead the  
159 Commission, we would contact the Commission and re-submit the information in the  
160 same media it was provided in the first case. Our communications with the Commission  
161 would include an explanation of what information changed and why it changed.

162 If there is a concern that the information was deliberately withheld or intentionally  
163 falsified, IAS would be contacted to investigate the issue to determine if misconduct had  
164 occurred. The correct information would be resubmitted to the Commission and the  
165 cause of the issue (whether intentional or not) would be provided to the Commission.

166 If the investigation by IAS identified violations of pipeline safety regulations, these  
167 violations would be self-reported to the Commission as previously described. IAS would  
168 also help us to remediate any identified control gaps.

169 Q. Does this conclude your supplemental direct testimony?

170 A. Yes.