

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Wisconsin Energy Corporation, Integrys Energy)
Group, Inc., Peoples Energy, LLC, The Peoples)
Gas Light and Coke Company, North Shore Gas)
Company, ATC Management Inc., and American)
Transmission Company LLC)
) Docket No. 14-0496
Application pursuant to Section 7-204 of the Public)
Utilities Act for authority to engage in a)
Reorganization, to enter into agreements with)
affiliated interests pursuant to Section 7-101, and)
for such other approvals as may be required under)
the Public Utilities Act to effectuate the)
Reorganization.)

REBUTTAL TESTIMONY OF CHRISTOPHER WHEAT

ON BEHALF OF THE CITY OF CHICAGO AND THE CITIZENS UTILITY BOARD

CITY/CUB EXHIBIT 5.0

JANUARY 15, 2015

1 **I. QUALIFICATIONS AND SUMMARY OF TESTIMONY**

2 **Q. What is your name and title?**

3 A. My name is Christopher Wheat. I provided direct testimony in this proceeding
4 (City/CUB Exhibit 1.0), filed with the Illinois Commerce Commission (“ICC” or
5 “Commission”) on November 20, 2014.

6 **Q. What do you recommend in your rebuttal testimony?**

7 A. I recommend that, if the Commission approves the reorganization proposed by the Joint
8 Applicants (“JA”), it require the conditions I described in my direct testimony at lines 37-
9 53. The JA provided no new information or data in rebuttal that cause me to change my
10 belief that the following conditions are required to protect the interests of Illinois
11 ratepayers (italicized language indicates new words or phrases to clarify the original
12 recommendation). As a condition of any approved reorganization, the ICC should:

- 13 ○ *require the JA to maintain the same proportion of Illinois members of the*
14 *Board of Directors for the acquiring entity WEC Energy Group (“WEC”)*
15 *as currently exists on Integrys’ board for at least five years;*
16
- 17 ○ *require the JA to retain, at a minimum, the same number and position*
18 *composition of full time employee equivalent (“FTE”) in Illinois and*
19 *Chicago as Integrys would have without reorganization , including the*
20 *same number and position composition of union-workers;*
21
- 22 ○ *recognize the JA’s commitment to maintain or improve the quality of*
23 *PGL’s local workforce by opening a local consolidated training facility in*
24 *the City;*
25
- 26 ○ *recognize the JA’s commitment to assure continued efforts to improve the*
27 *quality of PGL’s local workforce by extending its partnering arrangements*
28 *with the City Colleges and the Utility Workers Union of America*

29 (“UWUA”), AFL-CIO Local 18007, to implement the gas worker training
30 program for at least five years after the reorganization;

31
32 ○ *recognize the JA’s commitment to* inject \$5 million of shareholder funds
33 into PGL’s Share the Warmth program, as a tangible measure of the
34 promised continuation of PGL’s commitment to and involvement in the
35 Chicago community.

36 **II. RESPONSE TO JA REBUTTAL TESTIMONY**

37 **Q. How do you respond to the JA’s assertion that moving the headquarters of the new**
38 **entity from Chicago to Milwaukee will have no effect on the interests of Illinois**
39 **ratepayers?**

40 A. I disagree with that assertion. As Mr. Cheaks addresses in more detail in his rebuttal
41 testimony, the identity and location of the parent company of Peoples Gas Light & Coke
42 Company (“PGL”) and North Shore Gas Company (“NS”), (collectively, the “Gas Utilities”)
43 can have significant effects on Illinois ratepayers. City-CUB Ex. 7.0 at 3-6. The immediate
44 effect of removing the corporate headquarters is, at the very least, the removal of a number of
45 significantly high-paying jobs from Illinois to Wisconsin. It may also involve the removal or
46 relocation of other staff employed by the parent company or its service affiliate.

47 **Q. How do you respond to the JA’s agreement to your proposed condition that the JA**
48 **open a new state-of-the-art training facility for the Gas Utilities in the City of Chicago?**

49 A. I agree with the JA that this promise is “a significant commitment by the Joint
50 Applicants representing an additional commitment to community involvement, employee
51 training, and civic involvement.” JA Ex. 6.0 at 771-776. I greatly appreciate the JA’s
52 commitment to the local community, to the current and future workforce of the City of

53 Chicago, and to improving the operations of the Gas Utilities. This new state-of-the-art
54 facility will be a foundational investment in the future workforce of Chicago and in the
55 Gas Utilities' systems.

56 **Q. How do you respond to the JA's agreement to your proposed condition that the JA**
57 **extend for five years its funding of the returning veterans' training program in**
58 **cooperation with UWUA Local 18007 and the City Colleges of Chicago's Kennedy**
59 **King College's Dawson Technical Institute?**

60 A. I also greatly appreciate the JA's agreement to extend the future gas utility workers'
61 training program for veterans located at the City Colleges of Chicago's Kennedy King
62 College's Dawson Technical Institute. The JA's agreement to extend this program for
63 returning members of our Armed Forces is another example of their commitment to the
64 community, to the future of Chicago's workforce, and to the integrity and function of the
65 Gas Utilities' systems.

66 **Q. How do you respond to the JA's agreement to your proposed condition that the JA**
67 **inject \$5 million into PGL's Share the Warmth program over the next five-years to**
68 **assist low-income families and seniors?**

69 A. I appreciate the JA's agreement "[t]o contribute \$5 million of shareholder money over the
70 next five years to the Peoples Gas Share the Warmth program, with \$1 million being
71 contributed in 2015." JA Ex. 6.0 at 162-164. This commitment illustrates the JA's
72 recognition of needs of low-income families, seniors, and vulnerable customers who
73 struggle to afford their gas bills.

74 **Q. How do you respond to the JA's refusal to agree to appoint any more than one**
75 **Illinois member to WEC's Board of Directors?**

76 A. I disagree and reaffirm my recommendation from my direct testimony. As I indicated
77 there, the reorganization should not result in Illinois ratepayers being any worse off than
78 they are today. If it can be shown such an effect is likely, then the Commission should
79 not approve the reorganization. Having Illinois members on the Board is important not
80 just because of their physical location, but because they work in Illinois, they live in
81 Illinois (and are possibly served by PGL or NS), they are involved in and subject to the
82 jurisdiction of local civic and public sectors. In addition, resident board members
83 (especially if served by the utility) experience the utility in operation and share the
84 customer experience with the utilities' ratepayers. This increases the likelihood that
85 problems will be dealt with at an appropriate priority. Moreover, local board members
86 better appreciate the needs of the community and are more likely to be directly involved
87 in the community's activities. Finally, given the JA's rejection of commitments that
88 would provide greater assurance that Illinois utility customers' perspective will be well-
89 represented at highest level of reorganized entity, if the reorganization is approved with a
90 commitment for only one Illinois board member, that member should be a residential
91 customer of PGL. Though still not adequate in the City view, this change would enhance
92 the meaningfulness and value of an Illinois resident board member.

93 Moreover, Mr. Cheaks addresses in more detail in his rebuttal testimony why the identity
94 and location of the Gas Utilities' parent company can have significant effects on Illinois

95 ratepayers. Finally, Mr. Gorman testified that the risk to Illinois ratepayers of adverse
96 rate impacts is greater here than it was with regard to the previously-approved
97 Nicor/AGL Resources reorganization, supporting a larger commitment than one Illinois
98 board member.

99 **Q. How do you respond to the JA's refusal to either agree to or refrain from further**
100 **increasing their fixed charges during the time period of any approved rate freeze?**

101 A. In addition to the arguments advanced by Ms. Weigert in her direct and rebuttal
102 testimonies, I understand that in their pending rate cases the Gas Utilities continue to
103 dispute the reality of a change in Commission and regulatory policy regarding the
104 usefulness of high fixed monthly charges. However, the proposed condition is consistent
105 with the forward-looking policy applied in recent utility cases. That policy recognizes
106 the detrimental cross-subsidies extracted from a utility's low-use (and often low-income)
107 customers.

108 Without such a condition, the interests of low income and vulnerable residents are not
109 adequately protected. Their fixed charges have increased significantly since Integrys was
110 formed, now WEC has a demonstrated patten of seeking higher fixed charges from
111 delivery service regulators, which suggests the same policy will be advocated in Illinois.
112 This is counter-productive to the \$5 million in low income assistance pledged by the JA,
113 since potential assistance recipients could lower their bills by changing their usage so that
114 funding provided could serve even more families, seniors, and vulnerable customers.

115 **Q. How do you respond to the JA’s refusal to agree to retain between 2,051 and 2,090**
116 **FTEs in Illinois for the next five years or for the length of the rate freeze, if longer?**

117 A. Although not intended to be a forecast, to have value, the JA’s FTE commitment must
118 have some positive, incremental, relation to the company headcounts as they exist today.
119 As they exist today, PGL retains 1,303 FTEs, NS 171, and IBS 480 – for a total of 1,954
120 FTEs. City/CUB Ex. 5.1 (JA AG 10.05). Thus, the original proposal to retain 1,953
121 FTEs contains no value for Illinois since it would protect fewer positions than already
122 exist today. Especially where, as here, there are no quantified benefits for Illinoisans
123 resulting from the proposed reorganization, the ICC should not approve a reorganization
124 that allows the JA to reduce the number of FTEs retained. The proportional numbers of
125 FTEs for each company remain below the numbers forecasted for 2015, as recounted in
126 my direct testimony.

127 Moreover, the Joint Applicants have claimed consistently that savings from transition
128 activities (like employee level reduction or organization restructuring) are not expected
129 for several years. Consequently, whether the Joint Applicants would be “unduly
130 restricted” from a five year requirement to retain a floor number of FTEs is questionable.

131 **Q. How do you respond to the JA’s refusal to agree retain the same proportion of**
132 **Union members as exist today?**

133 A. I will note that City-CUB have not made any proposals regarding the Gas Utilities’ union
134 contracts, and the proposals do not appear to me to conflict with those contracts.

135 City/CUB Ex. 5.1 (JA City 10.26A). The JA’s argument that their Collective Bargaining
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136 Agreements (“CBA”) prohibit them from hiring more Union workers than the minimum
137 required in those contracts is a red herring. The JA provide no reason why PGL could
138 not voluntarily agree to hire more union members than provided for in their CBA. In any
139 case, the ICC has jurisdiction over the Gas Utilities’ safety and service positions and
140 practices, the adequacy of which is affected by the number and qualification requirements
141 of relevant employee positions, many of whom are union members. To that extent, the
142 Commission does have some authority to affect union positions.

143 City-CUB’s reference to union representation in the employee profile the Gas Utilities
144 should maintain simply recognizes that union contracts are a useful metric by which to
145 assess the complement of well-trained trades and craft personnel. Such qualifications are
146 as important as the raw number of employees. If the JA’s stated intention is accurate and
147 sincere, they should have no problem with committing to keeping the same level of union
148 employment as a condition of approval for their proposed reorganization. The census
149 was simply one means to the end of ensuring that well-trained resources like those
150 represented by the union positions are protected. City-CUB are willing to consider any
151 other method of ensuring implementation of such a condition.