

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)	
)	
Application pursuant to Section 7-204 of)	Docket No. 14-0496
the Public Utilities Act for authority to)	
engage in a Reorganization, to enter into)	
agreements with affiliated interests)	
pursuant to Section 7-101, and under the)	
Public Utilities Act to effectuate the)	
Reorganization.)	

AFFIDAVIT OF SEBASTIAN COPPOLA

1. My name is Sebastian Coppola. My business address is 5928 Southgate Road, Rochester, Michigan 48306.
2. I have previously submitted Direct, Rebuttal, Supplemental, and Supplemental Rebuttal testimony in this docket on behalf of the People of the State of Illinois, through the Illinois Attorney General's Office ("AG").
3. I have reviewed the responses of the Joint Applicants to the Illinois Commerce Commission's March 13, 2015 data requests that were verified by Joint Applicants ("JA") witness Andrew Hesselbach and filed on the Commission's eDocket and served on the parties on March 18, 2015.
4. The first Commission data request asked the Joint Applicants to respond to the following question:

Do the Joint Applicants have a transition plan for WEC Energy Group? If so, please provide a copy of the transition plan.

- a. What are the Joint Applicants' guiding principles in the development of the transition plan for WEC Energy Group, specifically concerning the leadership of the AMRP program to ensure a seamless changeover that avoids any diminishment of the utility's ability to provide adequate, reliable, efficient, safe, and least-cost public utility service both leading up to and after closing the proposed reorganization, if approved?
- b. Does WEC Energy Group plan to retain those individuals, now

employed at Peoples/Integrlys, with extensive AMRP management experience? Provide any supporting documentation Joint Applicants relied on in the development of the guiding principles referenced above.

5. In response, the Joint Applicants confirmed what has been established repeatedly in the record to date: *They have no transition plan and are moving at a glacial pace to get their arms around the AMRP.*

Moreover, the answer to the data request is unresponsive to the information sought by the Commission and is often contradictory to prior testimony filed by the Joint Applicants' witnesses in this docket. The Commissioners asked for specific guiding principles in the transition of the leadership of the AMRP program to ensure a seamless changeover. JA's response provided a list of general management principles not specific to the AMRP. In response to the request to discuss WEC's plan to retain those individuals with extensive AMRP management experience to help in the transition, JA provided no plan and only mentions the possible change-over of three, top-level management positions at PGL. It would have been helpful to hear that a core of current personnel would be retained at least during a multi-month period to help with the transition of responsibilities in order to maintain continuity of work. It also would have been informative if the JA had defined a time frame to evaluate the current staff and management assigned to the AMRP so that the Commissioners and other parties could have garnered some confidence that some real and timely transition plan would emerge soon.

Instead, the response confirms that the Joint Applicants have still not developed a formal transition plan but that the companies have begun the planning process by scheduling and holding small group discussions with leadership of major functional areas of each organization. It is important to note here that there is no mention that these meetings relate specifically to the AMRP and in fact appear to be high-level functional areas of the organizations. To the degree that these meetings relate to the AMRP, this information is a new development that contradicts testimony provided at the hearing that WEC had minimal discussions with Integrlys regarding the AMRP¹, and should not be relied on by the Commissioners.

For example, in his testimony at cross-examination, Mr. Leverett, WEC's chief witness, showed a stunning lack of familiarity with the multi-billion main replacement project. Mr. Leverett testified that he only read the executive summary of the Interim Audit Report (Tr. 194) and discussed the matter of implementing audit recommendations with Mr. Kleczynski (PGL President) and Mr. Morrow (Integrlys' Executive Vice President) once in January and once in February 2015 (Tr. 204, 210-211). Mr. Leverett also stated in cross-examination that he had no specific knowledge of who was in charge of the AMRP (Tr. 207), did not know Mr. Morrow's title or how to spell Mr. Kleczynski's name. The conclusion one draws from Mr. Leverett's testimony is that any so-called discussions were clearly high-level, and any knowledge of any implementation plan of any initiatives begun by PGL was merely based on hearsay from Mr. Kleczynski or Mr. Morrow. Mr. Leverett never indicated he reviewed any documents nor had knowledge of any planning process or small group discussions, as stated in the response to this data

¹ See, e.g., cross-examination of JA witness Allen Leverett, Tr. at 204-224; cross-examination of James Schott, Tr. at 84-85, 122-126.

request.

The information the Joint Applicants provided in response to this data request asserted that: the President of PGL will report directly to the CEO of WEC and three members of PGL's senior leadership will come from Wisconsin Energy. This is new information and is contradicted by Mr. Leverett's testimony at cross-examination, wherein he stated that no decisions had been made related to AMRP management, and he had no idea who the top management at PGL would be and who would embrace and move forward with any audit action plans. Tr. 209-219.

The response to part (b) to this data request also lacks substance. In the final portion of the response to this section, the response states: "The Joint Applicants will continue the process of gaining familiarity with current management and staff; evaluating the performance of existing work management systems and new initiatives; reviewing the final report from the Phase I of the Liberty's audit and..." The focus here appears more on the peripheral issues and not with gaining familiarity with the field work and true demands of the AMRP. It would have been useful to hear that WEC had assembled a Task Group of experts on main replacement work and that this group had already done some preliminary analysis and evaluations based on their due diligence of the existing program in order to begin a seamless transition plan. Unfortunately, the Joint Applicants' responses did not mention the existence of such a group of experts that could be brought to bear to enable a smooth transition of responsibilities. While consistent with the JA failure to conduct any meaningful due diligence of the AMRP, the lack of readiness and transition planning should nonetheless be very concerning to the Commission.

JA witness Hesselbach's testimony during cross-examination is emblematic of WEC's hands-off approach to the AMRP. At that time, he stated that he had no conversations with Mr. Giesler, who runs the AMRP program for PGL, or with any other PGL employee about developing action plans. Tr. at 317-318. Furthermore, he stated that before preparing his supplemental testimony on the Joint Applicants' ability and readiness to implement the findings of the Liberty Audit, he was asked by WEC management "to look at" the Interim Report and had only a brief discussion with WEC management. He further admitted that he had not been involved in gas infrastructure projects since the early 1990s and did not know whether or not he would still have a job post-merger. Tr. 315-323.

Neither the Attorney General nor any other parties will have the opportunity to conduct discovery or cross-examination of the new information JA provided in response to the Commission data requests. I recommend the Commission not rely on any information provided in this response other than to conclude that the Joint Applicants do not have or are likely to have an effective transition plan post-merger to seamlessly continue the AMRP and make the required improvements to the program. The lack of a plan and readiness to carry out the AMRP in an effective manner will almost certainly result in diminished service quality, reduced service reliability, and a negative impact on PGL customer rates.

6. The second Commission data request asked the Joint Applicants to respond to the following question:

What are the roles and responsibilities the Joint Applicants have set forth in the transition plan for the WEC Energy Group staff, specifically concerning the leadership of the AMRP program to ensure a seamless changeover that avoids any diminishment of the utility's ability to provide adequate, reliable, efficient, safe, and least-cost public utility service both leading up to and after closing the proposed reorganization, if approved?

- a. Explain how these roles and responsibilities satisfy this goal.
- b. Provide the names, current positions, relevant experience, and estimated start-date for the individuals who will assume the roles and responsibilities provided above.

7. In their response to this second data request, the Joint Applicants referred mainly to the response to the first data request. In other words, the answer to the second data request is unresponsive to the information sought by the Commissioners. The Joint Applicants provided no details on the roles and responsibilities of the AMRP team members and leadership post-merger. This reinforces the fact that WEC has no plan or strategy in place to quickly and effectively take control of the AMRP and seamlessly transition to new leadership and a more capable team. As I mentioned above, a more effective and reassuring response would have been to state that WEC had assembled an expert Task Group or a team under proven leadership from WEC to guide the AMRP through the transition period with defined roles and responsibilities. Such a pro-active approach would have instilled some semblance of confidence that the Joint Applicants are ready and able to take over the AMRP without running the risk of worsening the performance of the program.

Instead, the Commission has been presented with no program team, no defined leadership roles and responsibilities, nor any transition plan. Such a lack of planning does not bode well for a very complex infrastructure program being done in a congested urban area on an accelerated basis and that, as of November 2014, was estimated to cost \$4.6 billion assuming it is completed in 2030.² The Commission should be very concerned with the Joint Applicants' lack of transition planning and the potential negative ramifications this glaring omission could have on service quality, safety, program costs, and customer rates.

8. The third Commission data request asked the Joint Applicants to respond to the following question:

Provide responses to questions one (1) and (2) above for the new "Subsequent Merger Subsidiary" described in Joint Applicants Application on page 7.

9. I have no comment on the Joint Applicants' response to the third data request.

10. The fourth Commission data request asked the Joint Applicants to respond to the following question:

At the current time and prior to the final Liberty audit report, what other aspects of the program can Joint Applicants anticipate modifying, changing, or developing new processes for based on their prior experiences managing large

² As I explained in my Direct testimony, for several factors, Peoples Gas's \$4.6 billion estimate is likely to increase going forward. AG Ex. 2.0 at 19-20:400-407.

infrastructure improvement projects?

- a. What distinguishes these aspects from other aspects of the AMRP program that Joint Applicants would like to delay consideration until after the Final Audit Report is delivered? Please only discuss scope and JA's current plans, not the audit itself.
- b. Do the Joint Applicants anticipate retaining any aspects of the AMRP program, which in their current form result in the efficient, reliable, and least cost execution of the AMRP?

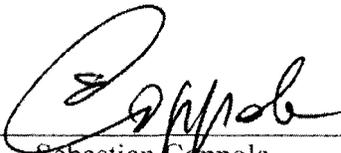
11. The Joint Applicants' response to the fourth data request is, at best, repetitive of the response to the first data request and, more so than not, unresponsive to the Commission's request for more insightful information.

In the main part of the question, the Commission was seeking the Joint Applicants' purported prior experience in managing large infrastructure improvement projects and to define useful processes that could be brought to bear on the AMRP to improve its operational success. Instead, in his response, the JA reiterated the lack of a transition plan and then proceeded to list some of the initiatives that had been identified in the Interim Audit Report. There is nothing new here that WEC is contributing to the effort. The only idea that WEC has contributed is a customer communication program. Customer communication is the least of the problems with the AMRP. Improving customer communication, while admirable, is akin to rearranging the deck chairs on the Titanic while the ship is sinking.

One would expect WEC to be ready to contribute something more fundamental to the potential success of the AMRP. It would be reasonable to expect, as I believe the Commission was seeking verification of in its data request, that WEC would bring in expert resources and management talent to define better processes, to assess the scope and pace of the program, and to evaluate whether the capacity exists within PGL to implement and manage such a massive program in a cost-effective manner with minimal impact on customer rates.

Unfortunately, the JA chose not to answer part (b) of the Commissioners' data request: "Do the Joint Applicants anticipate retaining any aspects of the AMRP program, which in their current form result in the efficient, reliable, and least cost execution of the AMRP?"

12. In conclusion, it is my recommendation that the Commission not rely on any new information provided in response to the four data requests – particularly since Staff and the parties were unable to send discovery on or cross-examine the information provided. The only reasonable conclusion from the information provided, and the record evidence to date, is that the Joint Applicants do not have and likely will not have an effective transition plan post-merger to seamlessly coordinate any remedial activity for the AMRP now being conducted by Peoples Gas or to make the required improvements recommended by Liberty auditors to the program. The lack of a plan and readiness to carry out the AMRP in an effective manner will likely result in diminished service quality, reduced service reliability, and continued negative impacts on PGL customer rates.


Sebastian Coppola

SUBSCRIBED AND SWORN to before me

This _____ day of 24th day of March, 2015


Notary Public

MARIA L COURY
NOTARY PUBLIC - STATE OF MICHIGAN
COUNTY OF OAKLAND
My Commission Expires Dec. 12, 2019
Acting in the County of Oakland