

1. On August 6, 2014, the Wisconsin Energy Corporation (“WEC”), Integrys Energy Group, Inc. (“Integrys”), Peoples Energy, LLC, The Peoples Gas Light and Coke Company (“Peoples Gas”), North Shore Gas Company, ATC Management Inc. and American Transmission Company LLC (collectively “Joint Applicants” or “JAs”) filed an application for authority to engage in a reorganization and to enter into agreements with affiliated interests, pursuant to Sections 7-101 and 7-204 of the Public Utilities Act (“Act”).

2. The following testimony was prefiled by the JAs, Staff and Intervenors, between August 6th 2014 and February 5th 2015.

August 6th, 2014 - JAs direct,
October 3rd, 2014 - JAs supplemental direct,
November 20th and 26th, 2014 - Staff and Intervenor direct,
December 18th, 2014 - JAs rebuttal,
January 15th, 2015 - Staff and Intervenor rebuttal,
January 22nd, 2015 - Intervenor supplemental testimony,
January 23rd, 2015 - JAs supplemental rebuttal,
January 29th, 2015 - Staff and Intervenor supplemental rebuttal, and
February 5th, 2015 - JAs’ surrebuttal.

3. On February 18th and 19th 2015 evidentiary hearings were held in this matter.

4. On March 11, 2015, based upon a Staff report dated March 5, 2015, the Commission initiated a proceeding, Docket No. 15-0186 (“Docket No. 15-0186 Investigation”), pursuant to Section 10-101 of the Act to investigate anonymous letters received by Commission employees alleging numerous incidents and improper practices being conducted by individuals associated with WEC, Integrys, and Peoples Gas. The allegations related to the acquisition/merger process, the audit process, as well as Peoples Gas’ management of its Accelerated Main

Replacement Program. (Docket No. 15-0186, Corrected Initiating Order, March 11, 2015, 1) (Attachment A to Motion)¹

5. Section 200.640 of the Commission's Rules of Practice provides in part that "the Commission or Hearing Examiner may take administrative notice of ...contents of certificates, permits and licenses issued by the Commission, and the orders, transcripts, exhibits, pleadings or any other matter contained in the record of other docketed Commission proceedings." 83 Illinois Admin Code Section 200.640(a)(2).

6. On March 27, 2015, Staff filed its initial brief in Docket No. 14-0496. In its initial brief in addition to the other conditions proposed by Staff in testimony, Staff proposed two post hearing conditions for the Commission to impose on the JAs reorganization related to Docket No. 15-0186 Investigation.

7. Given the timing of the initiation of the Commission's Docket No. 15-0186 Investigation, it was not possible for Staff to address or discuss the impact of the Docket No. 15-0186 Investigation on the JAs' reorganization in its prefiled testimony.

8. Under the Act, the Commission in approving any reorganization "... may impose such terms, conditions or requirements as, in its judgment, are necessary to protect the interests of the public utility and its customers." 220 ILCS 5/7-204(f))(emphasis added).

¹ The anonymous letter filed with the Staff Report on March 11, 2015 is included as part of Attachment A to this motion.

9. Staff's two post hearing conditions address a potential outcome of the Docket No. 15-0186 Investigation and its impact on the JAs' reorganization. The conditions are necessary for the reasons set forth in Staff's initial brief and are intended to protect the interests of Peoples Gas and its customers. (220 ILCS 5/7-204(f).)

WHEREFORE, for all the reasons set forth above, Staff respectfully requests that the ALJ take administrative notice of the Commission's Corrected Initiating Order and Staff Report in Docket No. 15-0186 (Attachment A).

Respectfully submitted,

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March 27, 2015

*Counsel for the Staff of the
Illinois Commerce Commission*

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
	:	
vs.	:	15-0186
	:	
The Peoples Gas Light and Coke Company	:	
	:	
	:	
Investigation into Anonymous Letter	:	
Alleging Misconduct and Improprieties	:	
Related to The Peoples Gas Light and Coke	:	
Company's Accelerated Main Replacement	:	
Program.	:	

CORRECTED INITIATING ORDER

By the Commission:

In a Staff Report dated March 3, 2015, the Staff of the Safety and Reliability Division of the Illinois Commerce Commission ("Commission") recommends that the Commission initiate a proceeding to investigate an anonymous letter alleging numerous incidents and improper practices being conducted by individuals associated with Wisconsin Energy Corporation ("WEC"), Integrys Energy Group ("Integrys"), and The Peoples Gas Light and Coke Company ("Peoples Gas"). All three entities are currently before the Commission in connection with Docket No. 14-0496, in which WEC is seeking Commission authorization to acquire both Integrys and Peoples Gas. The allegations in the anonymous letter relate to the acquisition/merger process, the audit process, as well as Peoples Gas' management of its Accelerated Main Replacement Program ("AMRP").

The Staff Report includes the anonymous letter as an attachment and recommends the Commission initiate a formal investigation which would permit the parties involved in Docket No. 14-0496 to intervene and participate. The investigation would examine the veracity of the claims addressed in the letter as well as the safety concerns regarding the Peoples Gas natural gas distribution system in Chicago.

On March 9, 2015, the Commission received a second anonymous letter. The scope of the investigation initiated today will be expanded to also look into the allegations made in that letter. With a special emphasis on safety implications, this Commission will also investigate any further allegations of a similar nature as it pertains to the AMRP that may be disclosed in the future.

The Commission will conduct this proceeding as an investigation pursuant to its authority under Section 10-101 of the Public Utilities Act ("Act") and shall have all other authority and remedies granted to it under the Act, including without limitation, Articles 4, 5, and 9 and Section 8-102,

The Commission, having reviewed the Staff Report and being fully advised in the premises, is of the opinion and finds that:

- (1) it has jurisdiction over the subject matter of this proceeding and the parties thereto;
- (2) the recitals set forth in the prefatory portion of this Order are hereby adopted as findings of fact;
- (3) the Staff Report dated March 3, 2015, should be made a part of the record of this proceeding;
- (4) an investigation should be initiated to examine the veracity of the claims addressed in the letters as well as the safety concerns regarding the Peoples Gas natural gas distribution system in Chicago, consistent with the recommendations in the Staff Report; and
- (5) this proceeding shall be conducted as a contested case.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that an investigation of the claims made in the anonymous letters regarding The Peoples Gas Light and Coke Company, is hereby initiated.

IT IS FURTHER ORDERED that The Peoples Gas Light and Coke Company be named as respondent to this proceeding.

IT IS FURTHER ORDERED that the Staff Report of the Safety and Reliability Division dated March 3, 2015, be made a part of the record of this proceeding.

IT IS FURTHER ORDERED that this Order is not final; it is not subject to the Administrative Review Law.

By order of the Commission this 11th day of March, 2015.

(SIGNED) BRIEN SHEAHAN

Chairman

ORIGINAL

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Staff Report

Wisconsin Energy Corporation, Integrys Energy Group, and Peoples Gas Light and Coke Company

March 5, 2015

Subject

Anonymous Letter Regarding Wisconsin Energy Corporation ("WEC"), Integrys Energy Group ("Integrys") and the Peoples Gas Light and Coke Company ("Peoples") Merger and Accelerated Main Replacement Project ("AMRP")

Introduction

Several employees of the Illinois Commerce Commission received a copy of the attachment hereto on or about February 17, 2015. The attachment alleges numerous incidents and improper practices being conducted by individuals associated with WEC, Integrys and Peoples. All three entities are currently before the Commission in connection with Docket No. 14-0496, in which WEC is seeking Commission authorization to acquire both Integrys and Peoples. The allegations in the anonymous letter relate to the acquisition/merger process, the audit process as well as Peoples' management of its AMRP.

Process

The attachment hereto has been made a part of the public record in Docket No. 14-0496 case by being filed as an *ex parte* communication. With similar anonymous correspondence alleging misconduct or improprieties on the part of regulated utilities, Illinois Commerce Commission Staff ("Staff") typically forwards the communication to the involved utility with a request that the utility provide a response to Staff addressing the allegations. That relatively informal process seems less applicable in this instance because the allegations in the attachment involve (i) parties in a docketed proceeding before the Commission; (ii) issues which are the subject of dispute in that proceeding; and (iii) safety concerns regarding the Peoples natural gas distribution system in Chicago. For these reasons, Staff recommends that a formal investigation be initiated to address the allegations. Moreover, Staff notes that a formal investigation in this instance would also permit the parties to the related Docket No. 14-0496 to intervene in the investigation.

Staff also provided a copy of the attachment to the US Department of Transportation's Office of Inspector General in Chicago for their action as they find appropriate.

Staff Recommendation

Staff recommends that the Commission enter an order opening a formal proceeding in which WEC, Integrys and Peoples should be directed to respond promptly to the Commission to the numerous allegations in the letter. Staff recommends that the response be presented as testimony. A schedule for the testimony and next steps can be addressed in a scheduling status hearing convened by the Administrative Law Judge.



Prepared By:

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Safety & Reliability Division Director

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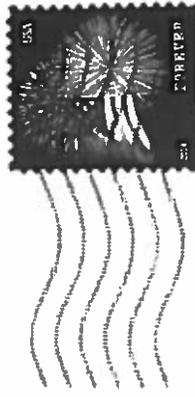
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ILLINOIS
COMMERCE COMMISSION

To Whom it may concern :

I am writing this letter in response to watching testimony being put forward by Wisconsin Energy Corporation and Integrys Energy for the acquisition of Integrys. I am completely disheartened by the lies that are being told by both companies. An audit of the utilities procedures previously found big issues in running the utility in a urban environment has not be addressed proven in any testimony given, in fact the liberty consulting company who was ordered to conduct the audit and ordered given the results to the staff of the ICC for implementation of its findings is being fought at every level from the corporate officers of WEC and Integrys because they stand to make millions from the sale and do not want the findings to be made public. They are working overtime to suppress the audit findings that will uncover major safety concerns for the citizens of Chicago. The findings of the liberty audit need to be put into a guaranteed condition of sale document with very harsh financial fines if they do not meet the conditions put forward by staff. Original findings from the last audit were disrespectfully laughed off by Integrys officers who simply told lower level managers we have deep pockets let us worry about any potential fines it's easier to pay the fines then to adhere to the recommendations set by ICC. Is that the deterrent that will save life's when thier are not enough employee's in the field to service customers and answer gas leaks and emergencies? We can't keep stretching the rubber band with employees we don't have. I have seen the fake promises of reaching the FTE goals originally agreed to in prior rate cases. Its a lie, FTE's who are actually working in the field to service the rate payers at PGL is under 900 in-house personnel. And aprox 120 contractors. The hundreds of back office personnel are contractors with engineering firms like HBK. Almost every Manager who has been part of the failure of Integrys to manage and operate the AMRP project once retired, moves into positions of management with HBK the same company who claims to be consulting for Peoples Gas now! They are rewarded with very big lucrative contracts from PGL with promises of those who let out the contracts a position when they leave PGL. How is this not a conflict of interest. Meade construction, Michaels, and Jacobs all contractors for PGL were awarded contracts because they all have Ex-management who worked for PGL. There is a internal investigation from Integrys ongoing now about invoices from contractors for services never provided. We have been told the AMRP project is a ATM machine for contractors and consultants because those who are suppose to be in a position of oversight are the wolves watching the Hen house. It is not right that the lies continue in a setting that you are sworn to investigate and provide protection to. We have many supervisors who are being asked to leave when the issues have been brought up to management. We are asking for a full investigation into the facts that we have provided, please make sure safe guards are put into place, of hold those accountable for lying about the state of the company answer to you so you can make a informed decisions.

Docket No. 14-0496
Staff Motion for Admin Notice
Attachment A
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