

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
The Peoples Gas Light and)	
Coke Company)	Docket No. 15-0186
)	
Investigation into Anonymous Letter)	
Alleging Misconduct and Improprieties)	
Related to The Peoples Gas Light)	
and Coke Company's Accelerated)	
Main Replacement Program)	

DIRECT TESTIMONY
OF
BRYAN OLSON

- 1 Q. Please state your name and business address.
- 2 A. My name is Bryan Olson. My business address is 700 North Adams Street,
- 3 Green Bay, Wisconsin 54307.
- 4 Q. By whom are you employed?
- 5 A. WEC Business Services LLC ("WBS").
- 6 Q. What position do you hold with WBS?
- 7 A. I am a Senior Auditor.
- 8 Q. What are your responsibilities in that position?
- 9 A. I am currently responsible for assessing business processes for risks and
- 10 controls, conducting compliance audits, and performing investigations. In my
- 11 previous role, prior to Wisconsin Energy Corporation's acquisition of Integrys

12 Energy Group, Inc. (“Integrys”), I served as the Integrys EthicsLine Coordinator
13 from December 2014 through June 2015 and coordinated, assigned, and led
14 investigations.

15 Q. Please summarize your educational background and business experience.

16 A. I have a Bachelors of Business Administration in Accounting from St. Norbert
17 College in DePere, Wisconsin. I hold the Certified Fraud Examiner (“CFE”) and
18 Certification in Risk Management Assurance (“CRMA”) certifications. I have been
19 in Internal Audit for approximately 10 years and have conducted audits relating to
20 compliance with regulations, business operations, Sarbanes Oxley controls, risk
21 based topics, and other data analysis. As stated above, I have also assisted with
22 and led investigations in support of the Integrys EthicsLine and served as the
23 EthicsLine coordinator from December 2014 through June 2015.

24 **INTRODUCTION AND SUMMARY**

25 Q. What is the purpose of your testimony?

26 A. The purpose of my testimony is to respond, on behalf of The Peoples Gas Light
27 and Coke Company (“Peoples Gas”), to four unsigned letters (the “Anonymous
28 Letters”) that Illinois Commerce Commission (“Commission”) Staff counsel
29 received and posted as *ex parte* communications on the Commission’s e-Docket
30 website in the above-captioned proceeding. The Commission posted a fifth
31 unsigned letter in this docket on August 13, 2015 (“Anonymous Letter 5”) that I
32 am not addressing in this testimony.

33 I describe, in general, Integrys’ process for investigating all anonymous
34 allegations, including those in the letters. (Integrys was the ultimate parent

35 company of Integrys Business Support, LLC (“IBS”), now known as WBS, and
36 Peoples Gas. As I describe below, WEC Energy Group, Inc. (“WEC Energy”) is
37 now their ultimate parent company.) I then specifically describe the
38 investigations of each of the Anonymous Letters and related investigations, all of
39 which used that process.

40 Peoples Gas witnesses Sara Hurley, John Diamond, and Thomas Webb
41 also provide direct testimony. (PGL Exhibits (“Ex.”) 2.0, 3.0, and 4.0,
42 respectively). Ms. Hurley addresses Integrys’ and WEC Energy’s corporate
43 compliance, corporate policies, and Peoples Gas’ corporate governance. Mr.
44 Diamond addresses Integrys’ record retention, specifically electronic records
45 such as emails. Mr. Webb addresses Peoples Gas’ actions in response to an
46 audit report that The Liberty Consulting Group (“Liberty”) issued in August 2008.
47 This is a different audit than Liberty’s Accelerated Main Replacement Program
48 (“AMRP”) audit that resulted in a May 2015 report that Liberty submitted to the
49 Commission. Mr. Webb also addresses safety at Peoples Gas.

50 Q. Please summarize the conclusions of your testimony.

51 A. Integrys conducted a thorough review of the Anonymous Letters using the
52 Integrys EthicsLine investigation process. The investigation largely did not
53 substantiate any of the allegations in the anonymous letters. Issues that were
54 identified as a result of the investigation primarily involved compliance related to
55 corporate policies and were not issues related to AMRP. For any issues or areas
56 of concern identified during any of the investigatory or ancillary audits, the

57 company has taken or is planning to take corrective action for specific employees
58 or implement remedial measures.

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

60 A. Yes.

- 61 • PGL Ex. 1.1: Investigation Process Schematic
- 62 • PGL Ex. 1.2: EthicsLine Investigation Process
- 63 • PGL Ex. 1.3: Anonymous Letter 1
- 64 • PGL Ex. 1.4: Anonymous Letter 2 (redacted as posted on the website)
- 65 • PGL Ex. 1.5: Anonymous Letter 3 (redacted as posted on the website)
- 66 • PGL Ex. 1.6: Anonymous Letter 4

67 **BACKGROUND**

68 Q. Please describe the purpose of this proceeding.

69 A. On March 11, 2015, the Commission opened this proceeding to investigate the
70 veracity of claims included in two unsigned letters that the Commission had
71 received. The Commission stated “[w]ith a special emphasis on safety
72 implications, this Commission will also investigate any further allegations of a
73 similar nature as it pertains to the AMRP that may be disclosed in the future.”
74 The Commission named Peoples Gas as the Respondent.

75 Q. Has the Commission received “further allegations of a similar nature”?

76 A. The Commission received three additional unsigned letters that it posted as *ex*
77 *parte* communications in this docket. Absent guidance from the Commission,
78 Peoples Gas is treating the third letter as part of this case, concludes that the

79 fourth letter did not include “further allegations of a similar nature,” and believes
80 that the fifth letter does not include allegations that are relevant to this case.

81 Q. Please describe the Respondent, Peoples Gas.

82 A. Peoples Gas is a corporation organized and existing under the laws of the State
83 of Illinois, having its principal office at 200 East Randolph Street, Chicago, Illinois
84 60601. It is engaged in the business of purchasing, distributing, and selling
85 natural gas to approximately 828,000 customers in the City of Chicago. Peoples
86 Gas is a public utility within the meaning of the Public Utilities Act.

87 Q. Please describe the other companies (WEC Energy, Integrys, WBS, IBS) that
88 you mentioned above.

89 A. On June 29, 2015, Wisconsin Energy Corporation acquired Integrys, and the
90 resulting, combined company was named WEC Energy Group, Inc. The
91 Commission approved the acquisition in Docket No. 14-0496. In my testimony,
92 when I refer to “Integrys,” I am referring to Integrys Energy Group, Inc., *i.e.*, the
93 holding company that existed prior to its acquisition by Wisconsin Energy
94 Corporation. WEC Energy is a holding company, and Peoples Gas is among its
95 direct and indirect subsidiaries. IBS changed its name to WBS, its ultimate
96 parent company is now WEC Energy, and it may provide services to all WEC
97 Energy subsidiaries, including Peoples Gas.

98 Q. How do these changes affect your testimony?

99 A. The allegations in the first three unsigned letters concern matters that pre-date
100 Wisconsin Energy Corporation’s acquisition of Integrys. As I discuss, the fourth
101 letter, although it describes post-closing matters, does not include allegations

102 within the scope of the case, and I am not addressing the fifth letter.

103 Consequently, the investigation of allegations in those letters occurred under

104 Integrys' processes. The corporate policies at issue were Integrys' policies.

105 Q. You questioned whether Anonymous Letter 5 is relevant to this case. Is any

106 Peoples Gas witness addressing the fifth letter?

107 A. No. If the Administrative Law Judge or the Commission concludes that

108 Anonymous Letter 5 is within the scope of this proceeding, Peoples Gas

109 proposes to address that letter in supplemental direct testimony.

110 **INTEGRYS' PROCESS FOR INVESTIGATING ALLEGATIONS**

111 Q. Why are you focusing on Integrys' process?

112 A. The investigations I describe occurred prior to the acquisition's closing.

113 Therefore, I will refer to Integrys, IBS, and the various departments and areas

114 that existed under Integrys prior to June 29, 2015. Personnel conducting the

115 various investigations I describe were primarily IBS employees. WEC Energy, of

116 course, also has a process for these sorts of investigations, but it was Integrys'

117 process that applied to the matters I am addressing.

118 Q. The author or authors of the Anonymous Letters directed their concerns to the

119 Commission. Did Integrys receive any of these letters directly?

120 A. No. We learned of them through the postings on the Commission's website and

121 received unredacted versions from the Commission Staff. However, other

122 investigations that I describe did result from communications to Peoples Gas.

123 Q. Did Integrys have ways for employees to raise concerns within the company?

124 A. Yes. I note that Integrys does not know if the author or authors were or are
125 employees. However, Integrys had several ways employees could report
126 misconduct, and Peoples Gas witness Ms. Hurley also refers to these processes.
127 First, Integrys had an open door policy and encouraged employees to speak
128 directly with their leader, another leader, one of the designated Ethics Contacts,
129 or IBS' Human Resources ("HR") Department about potential issues or
130 misconduct. Second, Integrys also had an EthicsLine, independently operated
131 by a third-party, that employees and others could use to report misconduct,
132 online or by phone. They could choose to remain anonymous or identify
133 themselves for the company to follow up directly. Third, Integrys conducted an
134 annual survey of all its employees, the Code of Conduct Questionnaire, asking if
135 one has witnessed or is aware of any misconduct. Ms. Hurley further discusses
136 the Code of Conduct Questionnaire.

137 Q. Were these means available to all employees, including Peoples Gas
138 employees, to report misconduct?

139 A. Yes. Integrys took steps to make employees aware of these reporting avenues.
140 For example, the Code of Conduct and the EthicsLine information were given to
141 every new employee during orientation and were available on Integrys' internal
142 intranet; EthicsLine posters were in all company locations; the Code of Conduct
143 training was required for every employee every two years; the annual Code of
144 Conduct Questionnaire gauged employees' awareness and trust of the
145 EthicsLine; every five years, Integrys conducted an updated EthicsLine
146 awareness/education campaign; and the use of the EthicsLine was benchmarked

147 annually, so that Integrys was able to determine if awareness had changed and
148 appropriate action taken, if necessary.

149 Q. When Integrys received allegations such as those in the unsigned letters, what
150 steps did it take?

151 A. It had an established routing based on the type of allegation. There was also an
152 established "Rules of Investigation" ensuring the right resources were involved in
153 the review of the issue. When Integrys received an allegation, regardless of how
154 it was reported, it formed a cross-functional team based on the allegation routing
155 and Rules of Investigation processes; the team may have engaged an
156 Operations subject matter expert to help gather and review data and draw
157 conclusions on the data; team members reported the results of the investigation
158 to management personnel, who may have involved the business unit, HR,
159 Compliance function(s), and Internal Audit Services; and then the company took
160 appropriate corrective action. PGL Ex. 1.1 is a schematic of that Investigation
161 Process.

162 Q. Did Integrys interview employees as part of its investigation process?

163 A. Yes. Integrys would interview employees when appropriate as part of the data
164 gathering process, as part of the corrective action process, or both. For
165 example, an interview would occur if information was not obvious from
166 documents and if the information to be obtained involved events that were recent
167 enough in time to insure reliability.

168 Q. In connection with the Anonymous Letters at issue in this case, did Integrys
169 interview employees?

170 A. Yes.

171 Q. As part of its investigation process, would Integrys or Peoples Gas interview
172 former employees?

173 A. Yes. We would seek to interview former employees when deemed appropriate,
174 and the company would contact the former employee and ask for his or her
175 voluntary participation.

176 Q. In connection with the Anonymous Letters at issue in this case, did Integrys seek
177 to interview former employees?

178 A. No.

179 Q. In connection with the Anonymous Letters at issue in this case, did Integrys
180 interview anyone outside the company, such as contractors?

181 A. Yes.

182 Q. To whom did Integrys report the findings of its investigation?

183 A. The EthicsLine investigation process was overseen by a three-person Ethics
184 Committee, which included the Vice President of Human Resources, the Vice
185 President - General Counsel and Secretary, and the Assistant Vice President of
186 Internal Audit Services. This Committee was aware of all EthicsLine allegations
187 and reviewed and approved the disposition of all cases prior to closure.

188 EthicsLine cases were also reported quarterly to the Audit Committee of the
189 Integrys Board of Directors. PGL Ex. 1.2 shows the EthicsLine investigation
190 process.

191 This process differed slightly for this matter. Specifically, the Chief
192 Financial Officer participated as a fourth member of the Ethics Committee for
193 investigations and audits related to this docket.

194 Q. Does WEC Energy also have an EthicsLine or comparable reporting
195 mechanism?

196 A. Yes. WEC Energy also has an EthicsLine. It has a third-party administered
197 telephone line and web-based site. An employee may use the EthicsLine,
198 anonymously if he or she wishes, to report a concern or ask a question. Also,
199 like Integrys, matters such as those in the Anonymous Letters would be handled
200 through the process applicable to the WEC Energy EthicsLine involving the
201 Compliance Officer and others.

202 **ANONYMOUS LETTERS INVESTIGATIONS**

203 **A. ANONYMOUS LETTER 1**

204 Q. Please describe Anonymous Letter 1.

205 A. The Commission posted what I am calling Anonymous Letter 1 on its e-Docket
206 website (Docket No. 14-0496) on February 23, 2015. The letter is undated but
207 includes a Commission date stamp of February 17, 2015. For reference, I have
208 attached this letter as PGL Ex. 1.3. The one-page letter includes allegations
209 about Liberty's AMRP audit and the 2008 audit I mentioned above, staffing and
210 safety, and Peoples Gas' use of contractors.

211 Q. Did you participate in the review of Anonymous Letter 1?

212 A. Yes. I coordinated who was investigating each step and ensured that all issues
213 noted in the letter were addressed and investigated appropriately. I reported

214 investigation steps to the Ethics Committee on an ongoing basis, and they
215 provided guidance and direction and approved the adequacy of the investigatory
216 steps taken.

217 Q. Please describe the review of Anonymous Letter 1.

218 A. The review concluded with a memorandum dated May 22, 2015, that addressed
219 eight allegations. As I describe in more detail, the review concluded that the
220 allegations were unsubstantiated or that actions had been taken or would be
221 taken to address the concern underlying the allegation.

222 Q. Please describe the first allegation and conclusions reached.

223 A. The first claim that the investigation addressed was that Integrys had “laughed
224 off” findings from a prior Liberty audit. Peoples Gas witness Mr. Webb addresses
225 this 2008 Liberty audit in more detail, but the auditor concluded that the claim
226 was unsubstantiated.

227 Q. How did the auditor reach this conclusion?

228 A. As Mr. Webb describes in more detail, the company reviewed all
229 recommendations from the 2008 Liberty audit, whether designated as open or
230 closed. The review showed that a substantial effort to implement the audit
231 recommendations had occurred, and the evidence supported the conclusion that
232 management took the audit seriously, contrary to the anonymous claim.

233 Q. Please describe the second allegation and conclusions reached.

234 A. The second claim that the investigation addressed was that Integrys officers told
235 management it was easier to pay fines than adhere to Commission
236 recommendations. The auditor was made aware of an instance of a mid-level

237 manager, but not an officer, making a statement to that effect, and followed up on
238 that finding. The auditor did not find any wrongdoing by the employee or
239 reluctance by him to address non-compliance.

240 Q. How did the auditor reach this conclusion?

241 A. The auditor interviewed the mid-level management employee who made the
242 statement and reviewed his emails to determine the context of the remark and to
243 determine if other concerns about that employee existed. The review showed
244 that the comment was in the context of pointing out the costs of compliance as a
245 factor in considering viable alternatives to a Liberty recommendation that may
246 achieve meet the intent of the recommendation at a lower cost. The employee
247 acknowledged the importance of compliance, stated that his current and former
248 leaders had emphasized the importance of compliance, and stated he had never
249 heard from others a message that paying fines was an alternative to compliance.
250 Peoples Gas management and compliance staff reminded the employee that an
251 attitude of “isn’t it just cheaper to pay the fine” was not appropriate. The review
252 of the employee’s emails showed nothing inappropriate and, in fact, contained
253 evidence that the employee reported and followed-up on potential compliance
254 issues.

255 Q. Please describe the third allegation and conclusions reached.

256 A. The third claim was that Integrys did not want the findings from Liberty’s AMRP
257 audit made public. The claim apparently related to an Interim Audit Report,
258 dated January 12, 2015, that Commission Staff filed with a confidential

259 designation in Docket No. 14-0496. The auditor concluded this claim was
260 unsubstantiated.

261 Q. How did the auditor reach this conclusion?

262 A. The auditor reviewed filings with the Commission showing that the Joint
263 Applicants, including Peoples Gas, filed to remove Integrys' objection to making
264 the Interim Audit Report public. Wisconsin Energy Corporation, as a Joint
265 Applicant, was part of this filing. The Commission denied the motion to make the
266 report public prior to the final report's issuance. Peoples Gas, however, did not
267 oppose making the Interim Audit Report public, and the Final Report has now
268 been published and is available on the Commission's website.

269 Q. Please describe the fourth allegation and conclusions reached.

270 A. The fourth claim was that Peoples Gas had insufficient field employees to serve
271 customers. The auditor concluded this was unsubstantiated.

272 Q. How did the auditor reach this conclusion?

273 A. The auditor gathered data, including headcount, contractor staffing on AMRP,
274 gas leak response time, and pending leak metrics. With assistance from Peoples
275 Gas management, the auditor interpreted that the metrics did not show any
276 impending safety concerns or negative trends. The number of employees and
277 contractor hires relative to retirements showed that Peoples Gas is making an
278 effort to staff the utility and the AMRP appropriately. Finally, Peoples Gas is
279 funding gas utility worker training at the City Colleges of Chicago to ensure
280 enough qualified gas utility workers are available to hire for AMRP.

281 Q. Please describe the fifth allegation and conclusions reached.

282 A. The fifth claim centered on former Peoples Gas managers working for
283 contractors who worked on Peoples Gas projects. The auditor concluded that it
284 was correct that former Peoples Gas employees were working for contractors,
285 but the review did not find that this was detrimental.

286 Q. How did the auditor reach this conclusion?

287 A. HR sought to identify former Integrys employees who worked for Integrys
288 vendors. The review was not limited to management level employees. The
289 auditor observed that the company does not try to track where former employees
290 work once they leave Peoples Gas, and it has no right to limit or restrict their
291 employment and ability to work. (Peoples Gas witness Ms. Hurley also
292 addresses this fact.) The auditor found that management noted that it was a
293 benefit to Peoples Gas for former employees to work for its contractors because
294 of the significant ramp up in AMRP work and the tight labor market for skills that
295 former employees have because of their training and experience at Peoples Gas.
296 This training and experience still has a significant value to Peoples Gas.
297 However, the company was developing contract language to require vendors to
298 advise Integrys when a former employee was working on an Integrys matter.
299 Integrys could then raise any concerns on a case-by-case basis.

300 Q. Please describe the sixth allegation and conclusions reached.

301 A. The sixth claim was that Peoples Gas employees influenced the contract bid
302 process and then these employees joined the contractor. The auditor concluded
303 this was unsubstantiated.

304 Q. How did the auditor reach this conclusion?

305 A. As I stated above, Integrys' HR sought to identify former employees who were
306 working with Integrys contractors. The company reviewed internal records to
307 determine if any of the identified employees, while at the company, had approved
308 large requisitions with the contractors for which they later went to work. Also, for
309 the contractors listed in Anonymous Letter 1, the largest contracts were reviewed
310 to determine if current or former management approved them. The majority of
311 work that the contractors performed was approved by Integrys or Peoples Gas
312 management while employed by IBS or Peoples Gas. For management
313 personnel known to have left the company and joined a contractor, the review
314 found no bid manipulation or conflicts of interest.

315 Q. Please describe the seventh allegation and conclusions reached.

316 A. The seventh claim was that supervisors were asked to leave when they raised
317 concerns to management. The auditor concluded this allegation was
318 unsubstantiated.

319 Q. How did the auditor reach this conclusion?

320 A. The auditor reviewed the population of employees who had left since 2011, when
321 AMRP began. This included employees who retired, left voluntarily, or were
322 terminated. The auditor reviewed the process for termination; reviewed
323 EthicsLine complaints, where the person was not anonymous, to see if any
324 terminated employee had raised AMRP concerns; reviewed Equal Employment
325 Opportunity Commission or similar complaints for wrongful termination; and
326 walked through the termination process with HR for the persons named in the

327 letter. The review showed no evidence of termination or retaliation for raising
328 concerns about AMRP.

329 Q. Please describe the eighth allegation and conclusions reached.

330 A. The eighth claim centered on invoicing issues. These matters were the subject
331 of other investigations that I describe below.

332 Q. Did the review address any other matters?

333 A. Yes. The review found that a former Peoples Gas President had asked a
334 vendor's President to join the Board of Directors of a not-for-profit entity. The
335 review found no evidence of bid manipulation involving that vendor.

336 Q. Did the review find evidence to support claims of any safety issues?

337 A. No.

338 **B. ANONYMOUS LETTER 2**

339 Q. Please describe Anonymous Letter 2.

340 A. The Commission posted what I am calling Anonymous Letter 2 on its e-Docket
341 website (Docket No. 14-0496) on March 10, 2015. For reference, I have
342 attached this letter as PGL Ex. 1.4. The one-page letter, dated February 298,
343 2015, includes allegations about two employees' alleged misconduct, a prior
344 settlement agreement that was before the Commission, and retaliation against
345 two employees who raised concerns about the AMRP.

346 Q. Did you participate in the review of Anonymous Letter 2?

347 A. Yes; however, Legal Services and HR conducted the investigation, and I
348 summarized their findings for the report.

349 Q. Please describe the review of Anonymous Letter 2.

350 A. The review addressed six allegations. Integrys' Legal Services and HR
351 Departments researched the claims.

352 Q. What did the review conclude?

353 A. Based on input from Legal Services and HR, the auditor concluded that the
354 claims in the letter were unsubstantiated. Specifically, the review found that the
355 company was not violating a settlement by having certain employees in
356 management positions; appropriate litigation holds were in place and emails
357 captured; Information Technology ("IT") controls were in place to prevent
358 inappropriate email deletions; allegations concerning inside safety inspections
359 and corrosion control were addressed in other Commission proceedings; the
360 claim that an employee allegedly involved in records falsification submitted
361 reports to the Commission is untrue; and, as discussed in connection with
362 Anonymous Letter 1, claims about retaliation were unsubstantiated. Peoples
363 Gas witness Mr. Diamond describes the litigation hold process and email
364 retention policies.

365 Q. Did the review find evidence to support the veracity of the claims in Anonymous
366 Letter 2 or any safety issues?

367 A. No.

368 **C. ANONYMOUS LETTER 3**

369 Q. Please describe Anonymous Letter 3.

370 A. The Commission posted what I am calling Anonymous Letter 3 on its e-Docket
371 website (Docket No. 14-0496 and this docket) on March 30, 2015. For reference,
372 I have attached this letter as PGL Ex. 1.5. The one-paragraph letter, with a

373 Commission date stamp of March 26, 2015, alleged that a Peoples Gas
374 employee (“PGL Employee”) had an inappropriate relationship with one of the
375 contractors.

376 Q. Did you participate in the review of Anonymous Letter 3?

377 A. Yes. I led this investigation with assistance from HR and IT.

378 Q. Please describe the review of Anonymous Letter 3.

379 A. Given the brevity and vagueness of the letter, Integrys first outlined a scope for
380 the investigation to try to identify potential issues. The review ultimately identified
381 and addressed seven issues. As I describe in more detail, the review concluded
382 that some of the issues warranted corrective action for three employees.

383 However, the review did conclude that the employees’ actions did not adversely
384 affect AMRP work.

385 Q. Please describe the first issue and conclusions reached.

386 A. The first issue concerned PGL Employee’s daughter, who was employed by a
387 Peoples Gas contractor. A review of emails confirmed that the daughter was
388 employed by the contractor and that PGL Employee had not disclosed this fact
389 on his Code of Conduct questionnaire although he had informed his leader about
390 her employment. However, the daughter worked in an administrative capacity
391 and did not perform engineering, design or inspection work, nor was there any
392 evidence that she was involved in the bid process. The review also found that
393 another employee’s sister worked for this contractor; this other employee directly
394 reported to PGL Employee. Subsequent to the review, Peoples Gas learned that

395 PGL Employee's nephew-in-law was employed, as a laborer, by a different
396 contractor and a son-in-law by another contractor.

397 Q. Please describe the second issue and conclusions reached.

398 A. The second issue concerned PGL Employee providing referrals to a contractor,
399 including a referral for one of his direct report's sister, as mentioned above. The
400 review confirmed that this occurred, but PGL Employee was unclear about
401 company policies for referrals and did not think he was pressuring the contractor.

402 Q. Please describe the third issue and conclusions reached.

403 A. The third issue concerned interactions between PGL Employee and the
404 contractor involving reviewing bids, awarding work and approving contracts. The
405 review concluded that PGL Employee had approval authority over only smaller
406 projects. Also, in one case, PGL Employee provided confidential bid information
407 to the contractor after the work had been awarded. The contractor had not bid
408 on the project as it was not work they would perform, and the information sharing
409 occurred after the work had been awarded, so it did not appear intended to
410 influence the outcome.

411 Q. Please describe the fourth issue and conclusions reached.

412 A. The fourth issue concerned interactions between PGL Employee and contract
413 inspectors. The review concluded that PGL Employee had informal input in
414 hiring decisions at the contractor and referred former employees.

415 Q. Please describe the fifth issue and conclusions reached.

416 A. Integrys was aware of possible lease concerns about a location where Peoples
417 Gas and a contractor both worked. The auditor recommended reviewing the

418 arrangements to make sure the lease agreement accommodated the joint use of
419 the location.

420 Q. Please describe the sixth issue and conclusions reached.

421 A. The sixth item concerned expense accounts. The review concluded that
422 documentation for some PGL Employee expenses was deficient and an incorrect
423 process was used for purchasing certain office furnishings and supplies.

424 Q. Please describe the seventh issue and conclusions reached.

425 A. An email review revealed a communication to PGL Employee from a contractor
426 seeking to recruit him. The review showed that PGL Employee responded
427 appropriately and did not pursue the conversation.

428 Q. Did Integrys take any actions against PGL Employee based on these audit
429 findings?

430 A. Yes, based on these findings, Integrys took corrective action against PGL
431 Employee and the other employee who failed to disclose that a relative worked
432 for a Peoples Gas contractor. The leader of these employees also received
433 corrective action.

434 Q. Did the review find evidence to support any safety-related deficiencies?

435 A. No.

436 **D. ANONYMOUS LETTER 4**

437 Q. Please describe Anonymous Letter 4.

438 A. The Commission posted what I am calling Anonymous Letter 4 on its e-Docket
439 website (Docket No. 15-0186) on July 2, 2015. The letter alleges that Peoples
440 Gas' new leadership lacks gas experience and refers to what it calls Wisconsin

441 Energy Corporation's anti-union record. For reference, I have attached
442 Anonymous Letter 4 as PGL Ex. 1.6.

443 Q. Did Integrys conduct an investigation of Anonymous Letter 4?

444 A. No. I understand that management determined that Anonymous Letter 4 did not
445 include any allegations that required investigation. The letter was limited to the
446 author's opinions about Peoples Gas' new management and new owner.

447 **OTHER INVESTIGATIONS**

448 Q. Did Integrys conduct other investigations that were relevant to the Anonymous
449 Letters?

450 A. Yes. These are investigations that I mentioned in connection with Anonymous
451 Letter 1. Anonymous Letter 1 did not prompt these investigations. However, the
452 subject matter is related to Anonymous Letter 1 allegations.

453 Beginning in 2012, Integrys was addressing concerns associated with
454 paving work ("Project P"). In February 2015, Peoples Gas' then-President
455 received an anonymous letter alleging improprieties involving a landscaping
456 contractor ("FCL Anonymous Letter"). Finally, in March 2015, a Peoples Gas
457 employee received two anonymous complaints related to AMRP work
458 ("Anonymous Tip 1" and "Anonymous Tip 2"). Integrys investigated these four
459 matters through its EthicsLine investigation process.

460 **A. PROJECT P**

461 Q. What is "Project P"?

462 A. The "P" stood for "paving" and referred to multiple overlapping investigations.
463 First, Integrys opened some EthicsLine cases involving allegations about paving

464 contractors in 2012 and 2013. Second, an outside auditor, at Internal Audit
465 Services' direction, conducted a review of restoration processes; that review
466 began in October 2013. Third, a City of Chicago Corporation Counsel advised
467 Integrys in June 2014 that a Peoples Gas employee requested that the City issue
468 citations to certain plumbers working at certain addresses. Integrys opened a
469 separate EthicsLine case. Fourth, a different outside auditor, at Internal Audit
470 Services' direction, conducted a routine vendor audit; that audit began in July
471 2014.

472 Q. Please describe the investigations.

473 A. These investigations included Internal Audit Services, HR, Legal Services, and
474 third parties. They involved employee interviews, meetings with vendors, and
475 document reviews, including emails.

476 Q. What conclusions did the investigations reach?

477 A. The investigations disclosed violations of Integrys' Code of Conduct. They also
478 concluded that oversight processes for restoration and paving work were
479 deficient although no instances of fraudulent billing or kickbacks were confirmed.
480 However, the vendor audit found instances of billing under a paving contract that
481 was inconsistent with the contract. This resulted in a settlement under which
482 Peoples Gas recovered erroneous charges.

483 Q. Did any corrective action occur?

484 A. Yes. Four employees, including two who resigned, were laid off. The two
485 employees who did not resign returned to work under "last chance" agreements.

486 Q. Did any other remedial action occur?

487 A. Yes. More rigorous processes were implemented to control paving and
488 restoration work, including contracting for that work. Those processes would
489 prevent the type of incidents that the Project P investigation addressed.

490 Q. How, if at all, did this matter affect AMRP work?

491 A. It had only a minimal effect on AMRP. While AMRP includes restoration and
492 paving work, it is largely performed under a lump sum bid from the construction
493 contractors and not Peoples Gas contracts with paving contractors. Peoples
494 Gas' contracts with paving contractors are largely for non-AMRP work.
495 Consequently, the Project P activity generally did not involve AMRP projects.

496 Q. Did the review find evidence to support any safety-related deficiencies?

497 A. No.

498 **B. FCL Anonymous Letter**

499 Q. What was the FCL Anonymous Letter?

500 A. Peoples Gas received an unsigned letter, postmarked February 24, 2015, that
501 claimed conflicts of interest and improprieties involving a current and former
502 Peoples Gas employee, related to landscaping contracting for the past 20 years.
503 In other words, much of the time period subject to the allegations pre-dated the
504 AMRP.

505 Q. Please describe the investigation.

506 A. The investigation reviewed contracts, requests for proposals ("RFP"), Supply
507 Chain Services records, HR records, and related notes.

508 Q. What conclusions did the investigation reach?

509 A. For RFPs and contracts managed by the service company's Supply Chain
510 Services, beginning in 2008, the investigation did not find any violations of
511 bidding and RFP processes. For prior periods, records were insufficient to draw
512 conclusions. However, internal systems for contract management and work
513 approvals have improved, and this centralized review process ought to prevent
514 actual or perceived conflicts.

515 Q. Did the review find evidence to support any safety-related deficiencies?

516 A. No.

517 **C. Anonymous Tip 1**

518 Q. Please describe Anonymous Tip 1.

519 A. Peoples Gas received an allegation of billing improprieties involving three AMRP
520 contractors. Essentially, the allegation was that Peoples Gas was being billed
521 twice for the same work. For example, one vendor would bill on the basis that it
522 had completed all service work on a block and a second vendor would bill for
523 completing work on "difficult" services on that same block.

524 Q. Please describe the investigation.

525 A. Integrys conducted the investigation through the EthicsLine investigation
526 process. The investigation included employee interviews and review of controls
527 addressed in prior audits.

528 Q. What conclusions did the investigation reach?

529 A. The claims were unsubstantiated. Documented controls were functioning as
530 intended.

531 Q. Did the review find evidence to support any safety-related deficiencies?

532 A. No.

533 **D. Anonymous Tip 2**

534 Q. Please describe Anonymous Tip 2.

535 A. Peoples Gas received an allegation that an employee was pressuring a contract
536 inspector for being too strict and writing up too many deficiencies.

537 Q. Please describe the investigation.

538 A. Integrys conducted the investigation through the EthicsLine investigation
539 process. Integrys interviewed employees and contractors.

540 Q. What conclusions did the investigation reach?

541 A. The claims were unsubstantiated. However, the auditor recommended process
542 improvements to ensure that the independence of inspectors was preserved.

543 Q. Did the review find evidence to support any safety-related deficiencies?

544 A. No.

545 **CONTRACTING AND APPROVAL PROCESSES**

546 Q. Some allegations in the Anonymous Letters concerned contract approval
547 practices. Are there changes to address these practices?

548 A. Yes. Following the June 29, 2015 closing of the acquisition, new capital project
549 authorization procedures are in place. These procedures require review and
550 approval of major capital projects by Peoples Gas' leadership and, in some
551 cases, by the Peoples Gas Board. In general, the authority of individual
552 employees to approve expenditures has been reviewed and, in most cases,
553 reduced. The availability of corporate credit cards has been substantially limited.

554 Q. Did new management look at existing contracts?

555 A. Yes. At the Chief Executive Officer's direction, Audit Services began a review of
556 Peoples Gas' largest contracts immediately after Wisconsin Energy Corporation's
557 acquisition of Integrys on June 29, 2015. Audit Services started by reviewing
558 actual data to determine the largest contracts by spend. Audit Services obtained
559 the active contracts from Supply Chain Services. Many of these contracts are
560 related to the AMRP, especially construction, engineering, and project
561 management. The review is ongoing. It has first focused on significant contract
562 terms and conditions, such as pricing, payment terms, and key performance
563 indicators. The next steps will be vendor audits to check the accuracy of billing.
564 Finally, the review will move to the next tier of contracts.

565 Q. What are the objectives of the audit?

566 A. Audit Services plans to identify potential contract changes, which may include
567 revising language in existing form agreements or adding or removing provisions.
568 The review will also include recommendations for improving contract
569 administration. Finally, if a vendor audit finds errors, the company will seek
570 redress from the vendor.

571 Q. Are there any organizational changes at Peoples Gas relevant to AMRP
572 contracts?

573 A. Yes. Peoples Gas now has a Director of Contracting reporting to the Vice
574 President – Construction.

575 Q. Does this conclude your direct testimony?

576 A. Yes.