

**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**  
**SARA HURLEY**

- 1 Q. Please state your name and business address.
- 2 A. Sara Hurley. My business address is 700 North Adams Street, Green Bay,
- 3 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. My title is Director - Compliance.
- 8 Q. What are your responsibilities in that position?
- 9 A. For Integrys Energy Group, Inc. ("Integrys"), as I describe in more detail below, I
- 10 was responsible for directing the overall corporate compliance function. I
- 11 established processes to identify, measure, monitor, communicate and

12 continually improve the culture of ethics and compliance for all the Integrys  
13 companies, including The Peoples Gas Light and Coke Company (“Peoples  
14 Gas”). I provided guidance to specific compliance areas and reported on  
15 compliance matters. For WEC Energy Group, Inc. (“WEC Energy”), I am part of  
16 the Ethics and Compliance area within Legal and Governance Affairs and  
17 perform many of the same roles, with particular emphasis on aligning Integrys’  
18 and WEC Energy’s policies.

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

20 A. I have an undergraduate degree in accounting from the University of Wisconsin –  
21 Green Bay. I am a Certified Public Accountant and a Certified Compliance and  
22 Ethics Professional. I am a member of Wisconsin CPA, American Institute of  
23 CPAs and Society of Corporate Compliance and Ethics. Prior to graduating from  
24 college in May 1995, I joined Schneider National as an Accounting Analyst in  
25 Corporate Accounting and then moved into Tax Accounting. After Schneider  
26 National, I consulted for Jefferson Wells’ accounting and financial practice before  
27 joining, in December 2000, WPS Power Development, a non-regulated, power  
28 generation subsidiary of Integrys. I served as the Interim Controller in 2003 and  
29 later the Director of Portfolio Management and Planning for all non-regulated  
30 business. In late 2009 I moved to Integrys’ Legal and Governance Services  
31 department as the Director – Compliance. As Director – Compliance, I worked  
32 with compliance leads across the organization to establish consistent ethics and  
33 compliance messaging and training to reinforce the Integrys Code of Conduct  
34 (“Integrys Code”) and corporate policies.

35 **INTRODUCTION AND SUMMARY**

36 Q. What is the purpose of your testimony?

37 A. The purpose of my testimony is to respond, on behalf of Peoples Gas, to  
38 allegations included in unsigned letters (the “Anonymous Letters”) that the Illinois  
39 Commerce Commission (“Commission”) received and made part of this  
40 proceeding. In particular, I address Integrys’ corporate policies and training  
41 practices that are related to allegations in those letters. I also address  
42 comparable WEC Energy policies and corporate governance structural changes  
43 at Peoples Gas since the closing of the acquisition on June 29, 2015.

44 Q. Please summarize the conclusions of your testimony.

45 A. Integrys had strong policies that addressed the ethics and compliance allegations  
46 raised in the Anonymous Letters. WEC Energy has policies that address similar  
47 concerns, but, in some cases, cover these matters more directly and thoroughly.  
48 Following Wisconsin Energy Corporation’s acquisition of Integrys, all legacy  
49 Integrys employees took training on WEC Energy’s core policies. The corporate  
50 governance structure for Peoples Gas within the WEC Energy organization  
51 includes regular Board-level reporting on many matters, including the  
52 Accelerated Main Replacement Program (“AMRP”).

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

54 A. Yes.

- 55 • PGL Exhibit (“Ex.”) 2.1: Integrys Code of Conduct anti-retaliation excerpts
- 56 • PGL Ex. 2.2: Integrys corporate policies with anti-retaliation provisions
- 57 • PGL Ex. 2.3: WEC Energy Non-Retaliation Policy

- 58 • PGL Ex. 2.4: Integrys Code of Conduct conflict of interest excerpts
- 59 • PGL Ex. 2.5: WEC Energy Code of Business Conduct conflict of interest
- 60 excerpts

61 Q. Peoples Gas witness Bryan Olson (PGL Ex. 1.0) describes Wisconsin Energy  
62 Corporation's acquisition of Integrys. Is this also relevant to your testimony?

63 A. Yes. As Mr. Olson explained, the matters at issue in this case pre-date the  
64 acquisition, which closed on June 29, 2015. Thus, the applicable corporate  
65 policies were Integrys' policies and not Wisconsin Energy Corporation's or WEC  
66 Energy's policies.

67 Q. Please describe your role as it pertained to Integrys' corporate compliance.

68 A. Like Mr. Olson, when I refer to "Integrys," I mean Integrys Energy Group, Inc. I  
69 directed the overall Integrys corporate compliance function. In this role, I:

- 70 • established processes to identify, measure, monitor, communicate, and
- 71 continually improve the culture of ethics and compliance;
- 72 • provided guidance to specific compliance leads;
- 73 • reported on compliance efforts to senior management and the Integrys
- 74 Board of Directors;
- 75 • assisted, as appropriate, with the internal investigation process concerning
- 76 serious complaints of misconduct and compliance issues to ensure full
- 77 compliance with the Integrys Code, corporate policies, guidelines and
- 78 procedures, and local, state and federal regulations;

- 79                   • coordinated the ethics and compliance training program as well as created  
80                   and refined effective corporate policies and guidelines and procedures  
81                   that direct employee behavior; and  
82                   • directed and oversaw the corporate policies process and related intranet  
83                   site.

84           The role also included responsibility for directing the corporate records  
85           management function.

86   **CODE OF CONDUCT**

87   Q.    You stated that one of your responsibilities was training to reinforce the Integrys  
88           Code. Please describe Integrys' Code of Conduct training.

89   A.    Integrys' Code was available on the intranet and on Integrys' internet website for  
90           easy access. Integrys required new employees to take Integrys Code training  
91           within 30 days of their start date with the company. Employees and their leaders  
92           were prompted to complete the training if it was not completed within the 30  
93           days. All existing employees were required to take refresher training every two  
94           years. Completions were tracked.

95   Q.    Does WEC Energy also have a Code of Conduct or similar policy?

96   A.    Yes. The comparable document for WEC Energy is called the Code of Business  
97           Conduct ("WEC Energy Code"). Like Integrys, the Code of Business Conduct is  
98           on the intranet and in WEC Energy's internet website and available to all  
99           employees. WEC Energy also identifies several of its policies as "core corporate  
100           policies." Among the core corporate policies are the Records and Information  
101           Management Policy, which addresses, among other things, document retention

102 and litigation or document holds, and, as I discuss below, the Non-Retaliation  
103 Policy.

104 Q. Are legacy Integrys employees now subject to the WEC Energy Code?

105 A. Yes. In preparation for Wisconsin Energy Corporation's acquisition of Integrys, I  
106 and other compliance staff from the companies worked to align the companies'  
107 policies to ensure a smooth transition. Moreover, within three days of closing, a  
108 hard copy of the WEC Energy Code was distributed to all employees. After  
109 closing, all legacy Integrys employees were required to complete online training  
110 on the WEC Energy Code and core corporate policies. Employees, other than a  
111 few on leave, completed the required training, almost all within thirty days of  
112 closing.

113 Q. Please describe Integrys' Code of Conduct Questionnaire.

114 A. The Code of Conduct Questionnaire's objective was to obtain an assessment of  
115 employee understanding and opinion regarding "tone at the top" and ethics at  
116 Integrys and to provide an opportunity for all employees to report any potential  
117 Code of Conduct issues that an employee may have observed or been aware of  
118 over the past year or to raise questions. The Questionnaire required responses  
119 in the areas of outside employment, financial interest in a vendor, general  
120 conflicts of interest, gifts received and given, inappropriate use of company  
121 property, payments to government officials, fraud, and handling of confidential  
122 and sensitive information. The Questionnaire was a series of yes/no questions  
123 that required additional information if the answer indicated that there might be a  
124 potential conflict with the Code of Conduct or a corporate policy.

125 Q. How often did Integrys issue the Questionnaire and to which employees?

126 A. Annually, the Questionnaire was issued to employees via the intranet. An email  
127 from the Chairman and CEO and/or Vice President – General Counsel and  
128 Secretary was sent to employees requesting every employee to complete the  
129 Questionnaire. The email included the importance of completing the  
130 Questionnaire and the dates of the solicitation period. Not all employees were  
131 required to complete the Questionnaire, but, in February 2015, when we last  
132 administered it, approximately 33% of non-union employees were required to do  
133 so based on pay grade, access to sensitive information and interactions with  
134 external parties. Integrys requested all other employees to complete the  
135 Questionnaire, but they were not required to complete it. Completion of the  
136 Questionnaire was monitored and follow-up occurred until all employees who  
137 were required to complete the Questionnaire did so. If an employee disclosed  
138 information that could potentially represent a conflict with the Integrys Code or a  
139 corporate policy, an investigation was initiated. Depending on the nature of the  
140 disclosure, one or more of Corporate Compliance, Internal Audit Services, Legal  
141 Services, Human Resources, Corporate Security and Environmental Compliance  
142 may have been asked to investigate the employee's disclosure. If the  
143 investigation concluded that an actual conflict existed, the investigation was  
144 referred to the appropriate area for determination of whether remediation of the  
145 issue and/or disciplinary action, including termination of employment, was  
146 appropriate.

147 Q. Has Integrys disciplined employees for Code of Conduct violations?

148 A. Yes. Integrys has disciplined employees for Code violations. For example,  
149 eighty-four Peoples Gas employees were disciplined for Integrys Code violations  
150 between 2013 and 2014, and twenty of those employees were terminated.

151 **NON-RETALIATION POLICIES**

152 Q. The letters that Mr. Olson identified as Anonymous Letters 1 and 2 claimed that  
153 Integrys retaliated against employees who raised concerns about Peoples Gas'  
154 AMRP. Did Integrys have an anti-retaliation policy?

155 A. Yes. The Integrys Code stated that employees had a duty to promptly report any  
156 known, suspected or potential situations that could lead to violations of the  
157 Integrys Code. The Integrys Code also stated that Integrys was committed to  
158 protecting individuals who, in good faith, reported issues, concerns or suspected  
159 violations of the Integrys Code. The Integrys Code articulated the expectations  
160 of employees who reported known, suspected or potential violations of the  
161 Integrys Code or corporate policies. See PGL Ex. 2.1 for an excerpt from the  
162 Integrys Code that addressed this policy. Integrys' corporate policies reiterated  
163 these strong anti-retaliation policies. See PGL Ex. 2.2 for these other policies.

164 Q. If an employee believed he or she had been the subject of retaliation, what  
165 recourse was available?

166 A. If an employee believed that he/she had been the subject of retaliation, the  
167 employee was encouraged to discuss the matter with whomever he/she felt most  
168 comfortable, such as his/her leader, another leader, the Human Resources  
169 Department, persons identified in the Integrys Code as Ethics Contacts, or  
170 anonymously through the EthicsLine. Employees were not discouraged from

171 reporting to the highest levels of the company. Reports of potential retaliation  
172 were taken seriously and investigated using the investigation protocol that Mr.  
173 Olson describes. Integrys was committed to protecting employees who, in good  
174 faith, reported issues, concerns or suspected violations of the Integrys Code.

175 Q. Did Integrys have any means to identify potential retaliatory conduct outside of  
176 these processes?

177 A. Retaliatory conduct can manifest itself in many different forms (e.g., passed up  
178 for a promotion, withholding information, curt interactions). The employee on the  
179 receiving end of the potential retaliatory conduct is in the best position to identify  
180 and report the conduct. However, other employees may also identify and report  
181 potential retaliatory conduct against another employee, and, in fact, this has  
182 occurred.

183 Q. Does WEC Energy have a Non-Retaliation Policy?

184 A. Yes. WEC Energy has a stand-alone Non-Retaliation Policy, which is one of its  
185 core corporate policies. See PGL Ex. 2.3.

186 Q. Is this different from what Integrys had in place?

187 A. It is different in the sense that Integrys did not have a stand-alone Non-  
188 Retaliation Policy. Integrys had a strong non-retaliation policy as part of the  
189 Integrys Code and included non-retaliation as a component of several specific  
190 policies.

191 Q. What is the recourse available for employees under the WEC Energy Non-  
192 Retaliation Policy?

193 A. The policy encourages employees to raise serious concerns regarding ethical  
194 misconduct or illegal actions. Employees who feel they have experienced any  
195 form of retaliation due to reporting questionable ethical situations are to notify the  
196 Compliance Officer immediately.

197 **CONFLICT OF INTEREST POLICIES**

198 Q. The letter that Mr. Olson identified as Anonymous Letter 1 claimed that former  
199 Peoples Gas employees worked for AMRP contractors and that this was  
200 improper. Would Integrys consider it a conflict of interest to contract with a firm  
201 at which a former Peoples Gas or Integrys employee worked?

202 A. The situation of having former Peoples Gas or Integrys employees work for  
203 current suppliers of the company does not, in and of itself, present a conflict of  
204 interest. However, there are facts and circumstances in which a conflict of  
205 interest could arise. For example, if a former Peoples Gas or Integrys  
206 employee's employment was terminated at the company and that employee's  
207 role with the vendor involved matters such as responding to requests for  
208 proposal, contract negotiations and amendments, billing and payment, and  
209 similar responsibilities that affected the commercial relationship with Peoples  
210 Gas, Integrys would consider this a conflict.

211 Q. If Integrys or Peoples Gas learned of such a situation, would it take any action?

212 A. If there are questions or concerns about a contractor, Integrys would look into the  
213 facts and seek to take steps to avoid any real or perceived conflicts of interest.  
214 For example, we would try to ensure that the former employee did not engage in  
215 Integrys-related work. If Integrys was aware of the situation prior to awarding a

216 contract with the third party, we would specify such a requirement in the vendor  
217 contract. Also, if facts showed a less than arm's length business relationship or  
218 other unethical activity, such as using the company's confidential information,  
219 Integrys, consistent with its contractual rights, would take action to remediate or  
220 terminate the relationship. Integrys' goal was to attain the highest standards of  
221 ethics.

222 Q. Did Integrys have any policies concerning engaging a contractor if a former  
223 Integrys employee worked there?

224 A. No. Integrys did not have any corporate policies that addressed engaging a  
225 contractor if a former Integrys employee worked for that entity. In most cases  
226 Integrys would not even be aware that a former Integrys employee was  
227 employed by a vendor unless disclosed by the vendor or already known by  
228 Integrys. As I stated above, this situation did not necessarily present a conflict of  
229 interest. Absent a conflict of interest or inappropriate actions such as using  
230 confidential information learned while an employee, the expertise and skills  
231 developed as a company employee that the former employee brought to the  
232 contractor could be positive for Peoples Gas.

233 Q. Did Integrys track where former employees worked?

234 A. No. Integrys had no requirement to track, nor did it track, where former Integrys  
235 employees worked post-employment with the company. For Peoples Gas  
236 employees, there were no restrictions or non-compete clauses within the  
237 collective bargaining agreement, and the utility and service company generally  
238 did not have employment contracts with non-union employees that would provide

239 a legal basis or a business reason to proactively track post-employment of former  
240 Integrys employees.

241 Q. Does WEC Energy track where former employees work?

242 A. No. WEC Energy also does not track where former employees work for the  
243 same reasons as Integrys.

244 Q. How did Integrys define conflict of interest?

245 A. Integrys' definition of "conflict of interest" was when an individual's private  
246 interest interfered, or even appeared to interfere, with the interests of the  
247 company. Specific conflicts of interests highlighted within the Integrys Code  
248 included receiving and giving gifts and other business courtesies, corporate  
249 opportunities, outside employment, or other activities and relationships with  
250 suppliers, vendors and contractors that created a real or perceived bias in favor  
251 of the vendor. Employees were trained and reminded to contact their leader,  
252 Human Resources, an Ethics Contact or the EthicsLine if they saw a potential  
253 violation of the Integrys Code. Periodically throughout the year, compliance and  
254 ethics articles were included in companywide email and posted on the intranet to  
255 further the education efforts. See PGL Ex. 2.4.

256 Q. Does the WEC Energy Code address conflicts of interest?

257 A. Yes. The conflicts of interest statements in the WEC Energy Code are detailed.  
258 Notably, there is a section specifically addressing family members in the industry.  
259 The section describes situations of a family member working for a supplier,  
260 contractor or customer and the need for heightened sensitivity to security,  
261 confidentiality, and conflicts of interest. Such situations are not prohibited, but

262 the need for evaluation of each situation is addressed. The Integrys Code  
263 recognized that family relationships could give rise to a conflict of interest, for  
264 example, in the context of relationships with vendors and the acceptance of  
265 benefits such as gifts or loans. However, the WEC Energy Code addresses  
266 family members in the industry more comprehensively and highlights it in a  
267 stand-alone section within the conflict of interest part of the WEC Energy Code.  
268 See PGL Ex. 2.5.

269 Q. Are conflicts of interest addressed in any other way?

270 A. Yes. Along with the WEC Energy Code and corporate policies, the intranet has  
271 other ethics and compliance documents, including an “FAQ” (frequently asked  
272 questions) document that includes several conflict of interest questions and a  
273 “top ten” list that also addresses conflicts of interest.

274 Q. Other than the steps you described above when a former employee is working  
275 with a contractor, please generally describe actions that Integrys took when it  
276 learned of a potential or actual conflict of interest.

277 A. Integrys may have learned of a potential or actual conflict of interest through an  
278 employee report to his leader, another leader, an Ethics Contact or the  
279 EthicsLine or through another individual reporting from an external source.  
280 When Integrys learned of a potential conflict of interest, it investigated, using the  
281 investigation protocol that Mr. Olson describes.

282 Q. Does WEC Energy have a method for employees to disclose potential conflicts of  
283 interest?

- 284 A. Wisconsin Energy Corporation and now WEC Energy have used annual Code  
285 and Core Policies training to educate employees on conflicts of interest issues.  
286 The annual training requires each employee to certify understanding of the WEC  
287 Energy Code and Core Policies, including conflicts of interest, or to contact the  
288 Compliance Officer if the employee has questions or wishes to discuss a matter.  
289 It has also always encouraged employees to use EthicsLine and other  
290 established reporting mechanisms to seek guidance on how a policy – such as  
291 conflicts of interest – applies to a given situation. WEC Energy is now evaluating  
292 whether to embed a potential conflict of interest reporting mechanism within the  
293 required annual Core Policies training course. This reporting mechanism would  
294 prompt employees to report family members working in the industry or for a  
295 vendor, outside employment, and other potential conflict of interest situations. If  
296 an employee is uncertain whether a conflict of interest exists, the employee is  
297 encouraged to discuss the matter with his/her supervisor or with the Compliance  
298 Officer.
- 299 Q. Outside of the Questionnaire process, did Integrys have any means to identify  
300 conflicts of interest?
- 301 A. The Questionnaire was a proactive outreach to employees to identify conflicts of  
302 interest, but employees had a duty to promptly report to any of the Ethics  
303 Contacts any known, suspected or potential situation that could lead to a  
304 violation of the Integrys Code of Conduct. In fact, employees have identified  
305 potential conflicts of interest outside the Questionnaire process and reported

306 them to an Ethics Contact. Any potential conflicts of interest reports were  
307 investigated through the investigation protocol.

308 Q. If an employee did not disclose potential conflicts of interest through the  
309 Questionnaire or another source, would Integrys discipline the employee?

310 A. Failure to report a potential conflict of interest would not be cause for discipline.  
311 If the potential conflict of interest turned out to be an actual identified conflict of  
312 interest and the employee had not stepped forward, the employee, at a minimum,  
313 would be coached. Employees who violated the Integrys Code were subject to  
314 corrective action, up to and including termination.

315 **CORPORATE GOVERNANCE**

316 Q. Please describe corporate governance structure instituted at Peoples Gas under  
317 WEC Energy.

318 A. Peoples Gas' President will report to the Peoples Gas Board of Directors at each  
319 meeting. The Peoples Gas Board is an internal Board comprised of the  
320 Chairman of Peoples Gas and WEC Energy; the President of WEC Energy; the  
321 Executive Vice President and Chief Financial Officer of Peoples Gas and WEC  
322 Energy; the Executive Vice President, General Counsel and Corporate Secretary  
323 of Peoples Gas and WEC Energy; and the President and CEO of Peoples Gas.  
324 The President's regular report will address several key areas, namely, financial,  
325 operations, workforce, safety, customer satisfaction, and major projects, which,  
326 of course, includes the AMRP.

327 Q. Will WEC Energy's Board of Directors be regularly apprised of AMRP matters?

- 328 A. Yes. At each regular WEC Energy Board meeting, the Chairman will provide an  
329 update on AMRP that includes financial and operational performance. The  
330 Board may also request more detailed information from the Peoples Gas  
331 executives.
- 332 Q. Does this conclude your direct testimony?
- 333 A. Yes.