

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
-vs-)	
)	
The Peoples Gas Light and Coke Company)	Docket No. 16-0376
)	
Investigation of the cost, scope, schedule and other)	
issues related to the Peoples Gas Light and Coke)	
Company's natural gas system modernization)	
program and the establishment of Program policies)	
and practices pursuant to Sections 8-501 and 10-101)	
of the Public Utilities Act.)	

INITIATING AND INTERIM ORDER

On November 30, 2015, the Peoples Gas Light and Coke Company ("Peoples Gas" or "Peoples") filed a Cost Plan Model and Scheduling Master Plan for Peoples Gas' Accelerated Main Replacement Program ("AMRP") with the Commission in compliance with Condition No. 5 of the Commission's June 24, 2015 Final Order in Docket No. 14-0496 approving Wisconsin Energy Corporation's ("WEC") acquisition of Peoples Gas ("Peoples Report"). The Peoples Report outlined the estimated cost, schedule and scope of Peoples Gas' AMRP.

On November 9, 2015, the People of the State of Illinois, ex rel. Lisa Madigan, Attorney General of the State of Illinois ("AG") and the Citizens Utility Board ("CUB") filed a petition for an expedited investigation and restructuring of Peoples Gas' AMRP and other relief. That matter was docketed as ICC Docket No. 15-0592.

On December 14, 2015, Commission Staff ("Staff") submitted to the Commission a report detailing Staff's review of the Peoples Report, observations about the AMRP to date, and recommendations for future Commission Action ("December 14, 2015 Staff Report"). Staff recommended the Commission take several key actions with regard to Peoples Gas' natural gas system modernization program ("Program") including convening a workshop/comment process open to all interested parties to address stakeholders' near-term and long-term recommendations for the Program, including retaining a qualified consultant to advise the Commission in overseeing the Program.

On December 16, 2015 at its Regular Open Meeting, the Commission discussed and voted to adopt the December 14, 2015 Staff Report and the recommendations contained therein, thereby ordering Staff to convene a series of workshops and report

back to the Commission with recommendations for a docketed proceeding. At the conclusion of the workshop process, on or before May 31, 2016, Staff was to submit a Staff report recommending that the Commission initiate a docketed proceeding to result in a Final Order with final and binding recommendations regarding the Program.

The first workshop was held on January 14, 2016. Subsequent workshops were held on January 28th, February 10th, February 23rd, March 10th and March 22nd. All workshops were held at the Commission's Chicago office.

On May 31, 2016, Staff submitted its Staff Report to the Commission. ("May 31, 2016 Staff Report") Staff's recommendations contemplated a three-part approach to the Program:

- The development of interim reporting and monitoring by which the Commission and stakeholders can monitor the Program until a final order is issued in the docketed proceeding;
- The initiation of a docketed proceeding addressing the Program; and
- The development of near and long-term reporting and monitoring of the Program based on the outcome of the docketed proceeding

The Commission has considered the May 31, 2016 Staff Report and agrees with all of Staff's recommendations.

Based upon the above, an investigation should be initiated under Sections 8-501 and 10-101 of the Public Utilities Act to investigate the cost, scope, schedule and other issues related to the Peoples Gas Light and Coke Company's natural gas system modernization program and the establishment of Program policies and practices and near and long-term reporting and monitoring of the Program. To facilitate the investigation Peoples Gas shall submit in this docket within thirty days of the entry of an order initiating an investigation, a plan for the Program, sponsored by witness(es). The docketed proceeding should then follow the procedure set forth in the May 31, 2016 Staff Report.

In addition, with respect to the interim monitoring and reporting on the Program the Commission enters concurrently with this initiating order an interim order.

Interim Reporting During Docketed Proceeding

Within thirty days of the Commission's interim order on the Peoples Gas Main Replacement Program ("Program"), Peoples Gas shall provide to the Director of the Commission's Safety and Reliability Division a Preliminary Report that details the Company's projections and plans for the Program for the remainder of 2016. The Preliminary Report should provide cost estimates for Program work to be conducted in calendar 2016, broken down between capital expenditures and O&M. All projections shall include a description of the source of the information on which the projection is based, as well as the date Peoples Gas formulated this projection. The Preliminary Report shall

also contain projected monthly and YTD Program costs broken down between capital costs and O&M. Additionally, the Preliminary Report shall contain a summary of the criteria and methodology used to evaluate the condition of and prioritize replacement of vulnerable or at-risk facilities and to identify neighborhoods in which work will occur.

Projections should be detailed for each month beginning with July 2016 activity and continuing through December 2016 as well as cumulatively for the entire period. The Preliminary Report should detail the Company's projections for the Program in the following areas, identifying the neighborhoods in which work is planned and outlining the proposed sequence of work.

The following metrics and calculations shall be included:

- the number of miles and cost of main installed.
- the expenditure per mile of main installed.
- the number and cost of services installed.
- the expenditure per service installed.
- the number and cost of meters installed.
- the \$/meter installed.
- the number of miles and cost of main retired.
- the expenditure per mile of main retired.
- the cost of restoration work completed.
- the expenditure per mile of restoration – semi-annually.
- a break out of each of the categories identified above for planned neighborhood projects, excluding cost, by neighborhood location – quarterly.
- material cost by size and type – semi-annually.

Thereafter, Peoples Gas shall make monthly reports (except as noted above) to the Director of the Commission's Safety and Reliability Division within thirty days of the end of the previous month, comparing the monthly and yearly projections with the actual results of that month.

If Peoples Gas reports activity in neighborhoods other than those identified in the Preliminary Report for completion in a calendar year quarter, or activity in a neighborhood is deferred to a subsequent calendar year quarter that does not align with the activity for the calendar year set forth in the Preliminary Report, Peoples Gas shall thoroughly

describe why such change in the sequencing took place for each neighborhood listed. Additionally, the monthly reports shall describe any emergency main replacement work not contemplated by the Preliminary Report, including the total number of leaks discovered and the number of leaks repaired/resolved in the reporting month and shall provide a break down by category or class type of the number of leaks. Reporting of leak metrics by neighborhood will be reported semi-annually, while information as to the location of leaks by street address shall be provided on a monthly basis and to the extent possible plotted on a map.

The monthly reports should identify the number of hours of in-house labor and contractual labor Peoples Gas used in the reporting month and shall identify the type of work performed, e.g. feet of main replacement, number of service installations. To the extent Peoples Gas makes monthly projections, in each instance where monthly actuals vary from projections by more than 15%, Peoples Gas shall provide an explanation as well as analysis for why the variation occurred.

Both the Preliminary Report and all monthly reports shall be filed on e-Docket. The Commission encourages stakeholders to review Peoples Gas' monthly reports and address them, as appropriate, in the docketed proceeding. Peoples Gas shall provide the appropriate representative to appear before the Commission at meetings in September and November 2016 in order to provide an update on the progress of the Program and to answer questions about the Company's projections and actual data.

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

- (1) The Peoples Gas Light and Coke Company is an Illinois corporation engaged in the distribution of natural gas to the public in Illinois, and is a public utility as is defined in Section 3-105 of the Public Utilities Act;
- (2) the Commission has jurisdiction over the Peoples Gas Light and Coke Company;
- (3) the Staff Reports dated December 14, 2015 and May 31, 2016 should be made part of the record in this proceeding;
- (4) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (5) the Commission should initiate a proceeding pursuant to Sections 8-501 and 10-101 of the Public Utilities Act to investigate the cost, scope, schedule and other issues related to the Peoples Gas Light and Coke Company's natural gas system modernization program and the establishment of program policies and practices consistent with Staff's May 31, 2016 Staff Report;

- (6) the Peoples Gas Light and Coke Company, shall provide and file on e-Docket in this docket, within thirty days of the entry of an order initiating an investigation, a plan for the gas main replacement program, sponsored by witness(es);
- (7) the Peoples Gas Light and Coke Company shall prepare and file on e-Docket in this docket, within thirty days of the entry of an order initiating an investigation, a preliminary report for the 2016 construction season followed up by monthly reports consistent with the prefatory section of this order.
- (8) Docket No. 15-0592 should be dismissed without further action as the issues contemplated by the petition in that docket will be addressed in the docketed proceeding commenced pursuant to this order.

IT IS THEREFORE ORDERED that, pursuant to Sections 8-501 and 10-101 of the Public Utilities Act a proceeding be initiated to investigate the cost, scope, schedule and other issues related to the Peoples Gas Light and Coke Company's natural gas system modernization program and the establishment of Program policies and practices.

IT IS FURTHER ORDERED that the Peoples Gas Light and Coke Company be made a respondent to this proceeding.

IT IS FURTHER ORDERED that the Peoples Gas Light and Coke Company shall submit and file on e-Docket in this docket, within thirty days of the entry of an order initiating an investigation, a plan for the gas main replacement program, sponsored by witness(es).

IT IS FURTHER ORDERED that the proceeding shall proceed under a schedule consistent with the procedural schedule set forth in the May 31, 2016 Staff Report to allow submission of a post exceptions proposed order to the Commission by January 11, 2017.

IT IS FURTHER ORDERED that the proceeding shall address at a minimum the specific questions/issues which Staff developed based upon Stakeholder input set forth in the May 31, 2016 Staff Report.

IT IS FURTHER ORDERED that the Peoples Gas Light and Coke Company shall prepare and file on e-Docket in this docket, within thirty days of the entry of an order initiating an investigation, a preliminary report for the 2016 construction season followed by monthly reports consistent with the prefatory section of this order.

IT IS FURTHER ORDERED that the Chief Clerk shall serve a copy of this Order on the designated agent of the Respondent, Peoples Gas Light and Coke Company.

IT IS FURTHER ORDERED that the Staff Reports dated December 14, 2015 and May 31, 2016 be made a part of the record in this proceeding.

IT IS FURTHER ORDERED that the Verified Petition of the People of the State of Illinois and the Citizens Utility Board for an expedited investigation and restructuring of Peoples Gas' AMRP and other relief docketed as Docket No. 15-0592 is dismissed.

IT IS FURTHER ORDERED that failure of the respondent to appear as ordered may result in the imposition of penalties pursuant to Section 5-202 of the Public Utilities Act.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this order is not final; it is not subject to Administrative Review Law.

By order of the Commission this 20th day of July, 2016.

(SIGNED) BRIEN SHEAHAN

Chairman