

REQUEST NO. DAS 9.05:

- DAS-9.05 Addressing Anonymous Tip 2, Peoples Gas' witness Mr. Bryan Olson states in his testimony, "the auditor recommended process improvements to ensure that the independence of inspectors was preserved." (PGL Ex. 1.0, 25.) Regarding this statement, please provide the following information.
- a. Please identify the process improvements that the auditor recommended.
 - b. Of the process improvements recommended by the auditor, which were adopted and implemented by Integrys? For those not adopted, please explain why not.
 - c. Of the process improvements recommended by the auditor, which were adopted and implemented by WEC? For those not adopted, please explain why not.
 - d. Please identify all PGL or WEC policies, which are intended to ensure that the independence of any and all inspectors is preserved. Please provide a copy of those policies.
 - e. Please identify any and all current PGL or WEC policies provided to and/or imposed on contractors, which are intended to ensure that the independence of any and all inspectors is preserved.

RESPONSE:

- a. The process improvements were included in the memorandum provided as PGL0141888 - PGL0141895 (attached). In particular, see Section 4 on PGL0141892.
- b. Wisconsin Energy Corporation's acquisition of Integrys Energy Group, Inc. closed on June 29, 2015. Consequently, the actions identified in the May 29, 2015 memorandum were superseded by new management's fresh look at Peoples Gas' processes and procedures. Please see the responses the subparts (d) and (e) for a description of the relevant Peoples Gas processes and procedures adopted following the acquisition.
- c. Please see the responses to subparts (b), (d) and (e).

d and e. Quality Control (“QC”) is in the process of moving from inspectors to Field Coordinators, who report to Construction Project Managers. Some Field Coordinators are employees and not contractors. Peoples Gas expects that it will continue to use some contractors as Field Coordinators because the work is seasonal. Contracted Inspector/Field Coordinator solicitations and selection decisions run through the Contract organization. A Shop Manager of Construction or the Senior Construction Manager cannot hire or fire a Field Coordinator.

Quality Assurance (“QA”) was and continues to be with Peoples Gas’ Compliance Monitoring Group (“CMG”). Post-acquisition, the reporting structure for CMG changed such that it is outside of the Construction area. Previously, CMG was in the same reporting line as main replacement construction work. This is part of a larger change in Peoples Gas management, which has three Vice Presidents reporting to the President, who reports to the WEC Energy CEO. Pre-acquisition, Peoples Gas’ President reported to an Executive VP, who was responsible for main replacement and reported to the Chief Operating Officer, who reported to the Integrys CEO.

Pre- and post-acquisition, CMG reports to Peoples Gas’ Compliance Manager. The Compliance Manager reports to Peoples Gas’ Vice President of Operations and Maintenance. That Vice President is part of Peoples Gas’ new post-acquisition management team. The CMG group is thus independent of the construction group, which reports to the Vice President of Construction.

CMG identifies and tracks deficiencies, which can be issues with USDOT/ICC rules or Peoples Gas policies.

Post-acquisition, CMG staffing increased substantially.

Peoples Gas is moving towards QC being the contractors’ responsibility with QA remaining with CMG. If a contractor’s QC program is insufficient, then Peoples Gas will require the contractor to use and pay for a third party. This makes the contractor responsible for quality because problems that CMG identifies will fall squarely on the contractor and not Peoples Gas QC staff. Peoples Gas is piloting this approach.

SUPPLEMENTAL RESPONSE:

b. Following Wisconsin Energy Corporation’s acquisition of Integrys Energy Group, Inc., Peoples Gas’ new management did not pursue the recommendations from the report. Instead, new management began with a clean slate to develop processes and procedures.

d. Peoples Gas does not have a written policy to address inspector (Field Coordinator) independence. The response so subparts (d) and (e) describes the current practices for inspectors and Field Coordinators in the context of the quality assurance and quality control processes. To clarify, a Shop Manager of Construction or the Senior

Construction Manager cannot hire or fire a contracted Field Coordinator although for an employee, a Shop Manager of Construction or the Senior Construction Manager may have a role in hiring and firing.

