BEFORE THE

ILLINOIS COMMERCE COMMISSION

BENCH SESSION

(PUBLIC UTILITY)

Wednesday, June 24, 2015

Chicago, Illinois

Met, pursuant to notice, at 10:30 A.M.,
at 160 North La Salle Street, Chicago, Illinois.

PRESENT:

BRIEN J. SHEAHAN, Chairman

ANN MCCABE, Commissioner

SHERINA E. MAYE, Commissioner

MIGUEL del VALLE, Commissioner

JOHN R. ROSALES, Commissioner

SULLIVAN REPORTING COMPANY, by
PATRICIA WESLEY
CSR NO. 084-002170
CHAIRMAN SHEAHAN: Good morning. Are we ready to proceed in Springfield?

MR. MATRISCH: Yes, we are, Mr. Chairman.

CHAIRMAN SHEAHAN: Pursuant to the Open Meetings Act, I call the June 24, 2015 Bench Session of the Illinois Commerce Commission to order.

Commissioners McCabe, del Valle, Maye and Rosales are present with me in Chicago. We have a quorum.

We have no requests to speak and we will, therefore, move onto our Regular Open Meeting.

Moving onto our Public Utility agenda, there are edits to the Minutes of our June 3, 2015 Public Utility Bench Session. Are there any objections to approval of the Bench Session Minutes of June 3, 2015 as edited?

(No response.)

Hearing none, the Minutes are approved.

Item E-1 involves an Order initiating a proceeding to consider a third-party evaluation of On-Bill Financing Programs for energy efficiency.
Is there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved.

Item E-2 involves ComEd's revision of its Government Aggregation Protocols.

Are there any objections to not suspending the filings?

(No response.)

Hearing none, the filings are not suspended.

Our consideration of E-3 will be postponed to a future meeting.

Item E-4 involves dismissal of a consumer complaint against ComEd.

Are there any objections to approving the Order?

(No response.)

Hearing none, the Complaint is Dismissed.

Item E-5 involves the Illinois Department of Transportation's Petition for Approval
to Exercise the Right of Eminent Domain of Certain Properties Owned by ComEd.

I believe that Commissioner McCabe has some questions regarding this item.

COMMISSIONER McCabe: Yes. Judge Hilliard, did the parties submit or receive a draft Order?

JUDGE HILLIARD: The short answer is, yes, but I would like to give you a little background in this case if I might.

The Commission's responsibility in regard to these cases are only two. We have to determine that the action by the Department of Transportation is a public purpose and that the end result will be a public entity is going to own or control the property. In each case, the Department of Transportation filed a verified complaint that the allegations are sworn to by the attorney for the department.

ComEd never contests any of the allegations in the verified complaint; therefore, they stand as admitted, and in each one of those
complaints they established the actions that the
Commission need to take are matters of fact.
In this particular case, and in some
of the other cases, apparently there are outstanding
issues as to compensation, but that really doesn't
come before us and doesn't concern the Commission.
But when one of those cases goes to hearing, I infer
that what's really going on is that they haven't
come to terms yet on how much money is going to
change hands, which is what is suppose to happen in
these cases. In this particular case, we had a
hearing and that was continued for ComEd to produce
a witness.
On April 30th I was advised by the
ComEd attorney that the matter had been settled. On
May 1st I sent both attorneys an e-mail asking them
if they were going to submit a draft Order and the
response from the Department of Transportation he
was awaiting Mr. Goldstein's approval. He's the
attorney for ComEd, and, shortly after,
Mr. Goldstein came back that he approved the Order.
They did submit an Order, and that Order is
essentially what is before you.

COMMISSIONER McCABE: Okay. We get these kinds of cases several times a year.

JUDGE HILLIARD: A number of times a year. It kind of depends on how active the Department of Transportation is. In each case it's more or less the same, and ComEd's response is always that they admit the department has the ability to do what they're doing.

However, in terms of the paperwork that needs to be done, they don't want to give the department an affidavit saying that they protect the department by claimed unknown owners; therefore, there has to be an Order entered and they go to the Circuit Court and file an eminent domain action and the Circuit Court gives the department clear title to the property.

COMMISSIONER McCABE: Thank you.

JUDGE HILLIARD: Sure.

CHAIRMAN SHEAHAN: Any other questions?

(No response.)

Are there any objections to approving
the proposed Order?

(No response.)

Hearing none, the proposed Order is approved.

Item 6 involving a billing complaint filed against Energy Plus Holdings, are there any objections to granting the parties' Joint Motion to Dismiss?

(No response.)

Hearing none, the motion is granted and the complaint is dismissed.

Item E-7 concerns Ameren's Petition for Reconciliation of Revenues Collected under its Power Procurement Riders.

Are there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved.

Item E-8 is Energy.Me's Petition for the Confidential Treatment in its Reports of Continuing Compliance as an Alternative Retail Electric Supplier ("ARES").
Are there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved.

Items E-9 and 10 are Applications Requesting Certificates of Service Authority as Alternative Retail Electric Suppliers ("ARES") in Illinois pursuant to the Public Utilities Act.

Are there any objections to considering these items together and approving the proposed Orders?

(No response.)

Hearing none, the Orders are approved.

Items G-1 and G-2 concern Peoples Gas/North Shore Gas Company's modification to its gas tariffs to comply with its Docket No. 06-0703 Implementation Plan.

Are there any objections to considering these items together and not suspending the filings?

(No response.)

Hearing none, the filings are not
suspended.

Item G-3 involves a billing complaint filed against Peoples Gas.

Are there any objections to approving the proposed Order denying the complaint?

(No response.)

Hearing none, the Order denying the complaint is approved.

The Commission will postpone its consideration of Item G-4 until a future meeting.

G-5 on our agenda, Docket No. 14-0496, the Wisconsin Energy and Integrys Merger.

We have a number of edits to the ALJ's Proposed Exceptions Proposed Order and Appendix A. We will adopt these edits and then each Commissioner will have an opportunity to offer a statement and discuss the Final Order and Appendix A as edited.

I will make the first statement, and then we will hear from Commissioner McCabe, Commissioner del Valle, Commissioner Maye and Commissioner Rosales.

At the conclusion of our statements,
we will vote on the Final Order and Appendix A as edited.

I move that we adopt the edits to the Post Exceptions Proposed Order and Appendix A.

Is there a second.

COMMISSIONER McCabe: Seconded.

CHAIRMAN SHEAHAN: All those in favor, say aye.

(Chorus of ayes.)

Opposed, say nay.

(No response.)

The edits are adopted by a unanimous vote.

Let me begin by thanking the ICC Staff, ALJs, the Commissioners' legal and policy advisors and intervenors for their important contributions to the outcome of this case.

Mergers of this size are difficult administrative matters that involve complex issues and consume many months of hard work.

I would like to especially thank the Attorney General and her staff, the City of Chicago, CUB, and other intervenors for their tireless
advocacy on behalf of consumers. Their role in this process has resulted in a stronger and better final Order.

After many, many years of significant challenges, Peoples and North Shore Gas will have an opportunity to turn the page under new management. We have very high expectations for WEC. The company, with the Commission's oversight, must embark on a necessary turn-around of one of the largest infrastructure projects in the nation at the same time balancing the safety, reliability and cost of the system.

Our decision today to approve the merger is conditioned on a number of critical factors, among the 47 conditions is a requirement that the company implement all of the recommendations made by the Liberty Audit Report.

To the extent that the company and Staff cannot agree on implementation of recommendations, the Commission, with the involvement of intervenors, like the Attorney General's Office, City of Chicago and CUB, will
determine how, not whether, but how, the recommendations will be implemented. To accomplish this, the company must also improve its communications and relationship with the City of Chicago.

The Order acknowledges important points raised by the Attorney General and others that the 2030 completion date for the AMRP is unlikely to be met and certain to put undue pressure on ratepayers.

While the Commission does not believe that this is the appropriate docket for reconsideration of the 2030 time frame, the project schedule and cost will be the subject of the continuing Liberty audit process and transition plan that we will require which Commissioner McCabe will discuss in greater detail.

The Order also preserves Illinois employment levels but gives the company requested flexibility in terms of deployment and requires that current labor agreements be honored.

The Order reflects our expectation
that additional employees above the current levels will be required for the successful implementation of reforms to the AMRP.

Finally, the Order provides for a two-year rate freeze for customers which the Commission believes strikes an appropriate balance between stability during the transition and the potential for rate check.

The role of the ICC is to ensure safe, reliable and cost-effective service. Today the majority of the Commissioners believe that approval of the merger is the most effective way to deliver this commitment to Illinois customers.

With that, I will yield to Commissioner McCabe.

COMMISSIONER McCabe: Thank you, Mr. Chairman. We make a number of edits to Pages 28 through 31 of the PEPO.

While the Commission agrees that the merger docket is not the forum for requiring AMRP improvements, the Commission has serious concerns with Peoples Gas' ability to complete the Advanced
Main Replacement Program by 2030. Concerns include project costs, schedule and effectiveness. Peoples is already required, as part of the AMRP audit process, to provide (1) an Implementation Plan for the Liberty Audit recommendations; (2) an AMRP Scheduling Master Plan, and (3) a Cost Plan Model.

In addition, in Condition No. 5, the Commission requires Wisconsin Energy and Peoples Gas to provide an AMRP Transition Plan to ensure a seamless transition that avoids a diminishment in service.

These four Improvement Plans shall include updated, detailed information regarding the appropriate size, scope, schedule and cost for the AMRP.

The four Implementation Plans will be submitted to the Commission within 75 days of the final Order. Staff will report to the Commission on the progress of these plans by September 30th, and the report will be published on the ICC website.

The Commission is and will be paying
close attention to the Liberty Audit implementation process.

Upon review of the Staff's report, if the Commission is not satisfied with the results of the Joint Applicants' Improvement Plans, the Commission will initiate an additional investigation.

CHAIRMAN SHEAHAN: Commissioner del Valle.

COMMISSIONER del VALLE: Thank you, Mr. Chairman.

I would first like to acknowledge the work the Commissioners have done to move this Order in the right direction through their edits. But, unfortunately, I do not believe the Order before us can be rescued from its fatal flaws.

In fact, the Order leans so much on conditioned, future commitments, and vague, unenforceable phrases, that I find that imposing just one condition would have put us in the same place, that condition being "Peoples Gas and North Shore will not allow its new owner to violate Section 7-204 of the PUA," and then just cross our fingers and hope for the best.
The law and the scale of this deal demands that the Joint Applicants build a complete record. This deal roughly doubles the size of WEC and its holdings, includes a significant premium and transaction costs, establishes WEC in two states where they haven't owned companies before, and adds $1.5 billion, in debt, to their books. The group is also inheriting a deeply troubled AMRP program which may be the biggest main replacement program ever.

But instead of detailing how they would manage the large merger, the Joint Applicants continued the tradition of large utility holding companies asserting that they are above examination merely because the ICC can investigate their subsidiaries. In fact, the Joint Applicants conducted themselves as if there is no uncertainty or risk for Illinois ratepayers in this multi-billion dollar deal.

The Joint Applicants did not bring substantial evidence but instead relied on vague and conditioned future commitments, as well as pointing to the Commission's existing PUA authority to render
Section 7-204 of a toothless checklist.

They also shifted the burden of proof from themselves onto the intervening parties and the Commission. According to the Joint Applicants, the outgunned advocates and underresourced Commission Staff must take the petitioners' incomplete record of facts and, from that, prove that risk of adverse impacts exists. Further, although the law requires these findings now, the Order, in some cases, postpones the work to future dockets.

This Order should be protecting ratepayers from adverse rate increases now. The Order should be requiring tracking protocols and a longer rate freeze which would incent the AMRP and operations to achieve cost savings and efficiencies as soon as possible. Instead, the Order relies on a future rate case which will involve complex cost recovery methodologies that the Order doesn't even attempt to analyze.

The Order before us should be protecting ratepayers against the holding company's shareholders prioritizing their profit over the
health of our utilities. Instead, it uses a
two-year commitment of capital and Moody's credit
reports as a substitute for a long-term assurance of
access to capital.

The Order before us should be
requiring performance metrics to protect ratepayers
against the rate impacts and safety concerns
resulting from the mismanagement of a crucial
capital project, but, instead, we get closed-door
meetings, plans submitted after the record is closed
and after the transition has been underway for
months, and we decline to require future involvement
of the ultimate decision maker, Wisconsin Energy
Corporation.

At the very least, we should demand
evidence in the record of integration planning and
continuity across all business functions at both of
the Illinois Gas Companies. Instead, we get only a
vague Full-time Equivalents commitment, and a future
transition report unnecessarily limited to just the
AMRP program.

Conditioned future commitments cannot
substitute for material evidence to make up for these failings. Vague and unforceable promises cannot substitute for material evidence.

I'm very disappointed with the policy implications of this Order. We should have used this Order to ensure a fix of this troubled company and troubled project. Unfortunately, we squandered this opportunity by allowing Wisconsin Energy Corporation to hide behind a legal fiction to avoid scrutiny of its proper responsibility and liability.

The Wisconsin Energy Corporation successfully defined the terms of this docket, while bringing no evidence and daring the parties to try to prove that their leadership will not further diminish the already struggling company.

So, while the edits proposed do move the Order in the right direction, for the reasons I've stated and others, I will be voting "no" on this merger and will file a dissenting opinion with the Clerk's Office. Thank you.

CHAIRMAN SHEAHAN: Thank you, Commissioner. Commissioner Maye.
COMMISSIONER MAYE: Good morning and thank you, Mr. Chairman.

Very short and sweet comments. I do agree with those that have been made before me by Mr. Chairman and Commissioner McCabe.

We took this Order in this case very, very seriously. We evaluated every page. We evaluated the record and we analyzed the arguments. We understand it's very controversial, but, at the end of the day, I believe that everything in the record set it straight that this is what is in the best interest for our consumers.

I think that I am personally looking forward to the days ahead for Peoples Gas and very excited. At the same time, I have very high expectations for the company that they will meet those expectations, because we have discretion to determine those expectations whether or not they meet those. I am looking forward to working with them and very excited, and thank you for the opportunity to give some comments.

CHAIRMAN SHEAHAN: Thank you.
Commissioner Rosales.

ACTING-COMMISSIONER ROSALES: Thank you, Mr. Chairman. After reviewing every piece of evidence presented by the parties in this case, the Commission will hold the Joint Applicants to conditions they have agreed to with expectations that the additional resources will result in an improved infrastructure for Illinois at the highest level of safety, reliability and cost efficiency.

With that said, I vote to approve this merger.

CHAIRMAN SHEAHAN: Thank you.

Commissioners, are there any further discussion?

(No response.)

I move that we adopt the Final Order and Appendix A as edited.

Is there a second?

COMMISSIONER McCabe: Seconded.

CHAIRMAN SHEAHAN: There is a motion and a second.

All those in favor of adopting the
Order and Appendix A as edited which approves the merger of Wisconsin Energy and Integrys, say aye?

COMMISSIONER McCabe: Aye.

COMMISSIONER Maye: Aye.

CHAIRMAN SHEAHAN: Aye.

Opposed, say nay.

COMMISSIONER del Valle: Nay.

CHAIRMAN SHEAHAN: The vote is 4 to 1 and the Motion to Adopt the Final Order and Appendix A as edited are approved.

Item T-1 concerns Zoom-i-Net Communications' petition to withdraw authority to conduct business in the State of Illinois.

Are there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved.

Item W-1 concerns Illinois-American Water Company's petition seeking approval of the reconciliation of its Qualified Infrastructure Plant Riders for 2011.

Are there any objections to approving
the proposed Order?

(No response.)

Hearing none, the Order is approved.

Item W-2 concerns the Annual Reconciliation of Charmar Water Company's purchased water surcharge.

Are there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved.

Item W-3 concerns the Annual Reconciliation of Harbor Ridge Utilities' purchased water surcharge.

Are there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved.

Item W-4 involves a complaint filed against Illinois American Water Company regarding alleged inaccurate billing in Washington Park.

Are there any objections to approving the proposed Order denying the complaint?
(No response.)

Hearing none, the Order denying the complaint is approved.

Item W-5 concerns Aqua Illinois' Motion to Withdraw a Petition regarding issuance of $23 million in long-term indebtedness.

Are there any objections to granting the Motion to Withdraw?

(No response.)

Hearing none, the Motion to Withdraw is granted.

Under Petitions for Rehearing, Item PR-1 concerns a request for rehearing of Virgin Mobile USA's Application for Limited Designation as an Eligible Telecommunications Carrier.

Are there any objections to denying the Application for Rehearing?

(No response.)

Hearing none, the Application for Rehearing is denied.

Item PR-2 involve Applications for Rehearing filed regarding Ameren Transmission's
Illinois Rivers Project which was approved by the Commission on May 12, 2015.

Is there a motion to deny the Applications for Rehearing?

COMMISSIONER McCabe: So moved.

CHAIRMAN SHEAHAN: Is there a second?

COMMISSIONER Maye: Seconded.

CHAIRMAN SHEAHAN: Any discussion?

(No response.)

All those in favor of denying the Applications for Rehearing, say aye.

Aye.

COMMISSIONER McCabe: Aye.

COMMISSIONER Maye: Aye.

ACTING-COMMISSIONER ROSALES: Aye.

CHAIRMAN SHEAHAN: Opposed, say nay.

COMMISSIONER del VALLE: Nay.

CHAIRMAN SHEAHAN: The motion carries 4 to 1. Applications for Rehearing are denied.

The next item on the Agenda is the Approval of the Procurement Administrator's Recommendations on Selection of Winning Bids
pursuant to Section 1-56(1)(5) of the Illinois Power Agency Act.

Is there a motion to approve the report?

COMMISSIONER McCABE: So moved.

CHAIRMAN SHEAHAN: Is there a second?

ACTING-COMMISSIONER ROSALES: Seconded.

CHAIRMAN SHEAHAN: Any discussion?

(No response.)

All those in favor, say aye.

(Chorus of ayes.)

Opposed, say nay.

(No response.)

The ayes have it and the report is approved.

The next item on the agenda pertains to litigation against the MISO filed with the FERC by the Illinois Attorney General, Public Citizen, Inc., and the Southwestern Electric Cooperative Regarding the 2015-2016 Planning Resource Auction which is FERC Docket Nos. EL15-70, 71 and 72.

Is there a motion to enter into closed
session to discuss this litigation?

COMMISSIONER MAYE: So moved.

CHAIRMAN SHEAHAN: Is there a second?

ACTING-COMMISSIONER ROSALES: Seconded.

CHAIRMAN SHEAHAN: All those in favor, say aye.

(Chorus of ayes.)

Opposed, say nay.

(No response.)

The motion carries. We will clear the rooms of all non-Staff for discussion of this pending litigation.

(Whereupon, Closed Session commenced from Page 27 to Page 41)
We are back in open session.

In closed session we have been discussing FERC Docket Nos. EL15-70, 71 and 72, and proposed comments regarding litigation.

Is there a motion to approve and submit the comments to FERC?

COMMISSIONER McCabe: So moved.

CHAIRMAN SHEAHAN: Is there a second?

ACTING-COMMISSIONER ROSALES: Seconded.

CHAIRMAN SHEAHAN: Any discussion?

(No response.)

All those in favor, say aye.

(Chorus of ayes.)

Opposed say, nay.

(No response.)

The ayes have it and the comments are approved.

Judge Kimbrel, do we have any other matters to come before the Commission today?

JUDGE KIMBREL: No, we don't, Mr. Chairman.

CHAIRMAN SHEAHAN: Thank you.

Commissioners, do we have any other
business to discuss?

(No response.)

Hearing none, we stand adjourned.

Thank you.

(Whereupon, the above matter was adjourned.)

CERTIFICATE OF REPORTER

STATE OF ILLINOIS )
 ) SS:
COUNTY OF COOK )

TITLE: BENCH SESSION (PUBLIC UTILITY)

I, PATRICIA WESLEY, do hereby certify that I am a court reporter contracted by SULLIVAN REPORTING COMPANY, of Chicago, Illinois; that I reported in shorthand the evidence taken and the proceedings had on the hearing on the above-entitled case on the 24th day of June A.D., 2015; that the foregoing 30 pages are a true and correct transcript of my shorthand notes so taken as aforesaid, and contains all
of the proceedings directed by the Commission
or other person authorized by it to conduct the
said hearing to be stenographically reported.

Dated at Chicago, Illinois, this
1st day of July, A.D., 2015.

__________________________
Reporter.