BEFORE THE

ILLINOIS COMMERCE COMMISSION

REGULAR OPEN MEETING

PUBLIC UTILITY

Wednesday, October 19, 2016

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 EDWARDS, Commissioner

MIGUEL DEL VALLE, Commissioner

JOHN R. ROSALES, Commissioner (via telephonically)

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, Chairman.

CHAIRMAN SHEAHAN: Pursuant to the Open Meetings Act, I call the October 19, 2016 Special Open Meeting to order.

Commissioners McCabe, del Valle, and Edwards are present with me in Chicago. We have a quorum. Commissioner Rosales is participating by phone.

Commissioner Rosales, are you with us?

COMMISSIONER ROSALES: Yes, Mr. Chairman.

CHAIRMAN SHEAHAN: I move to allow Commissioner Rosales to participate by phone.

Is there a second?

COMMISSIONER McCABE: Seconded.

CHAIRMAN SHEAHAN: Any discussion?

(No response.)

All in favor, say aye.

(Chorus of ayes.)

Opposed, say nay.
The ayes have it and Commissioner Rosales is granted permission to participate by phone.

In public comments, we have a brief presentation from Peoples Gas. This was a presentation that we required but inadvertently was left off the agenda. We have Andy Hesselback.

Andy, are you here?

MR. HESSELBACH: Yes.

CHAIRMAN SHEAHAN: Please join us, and the floor is yours.

PRESENTATION

BY

MR. HESSELBACH:

Good morning, Commissioners. My name is Andy Hesselbach and I'm the vice president for construction for Peoples Gas. Thank you for inviting me here today to give an update on the Peoples Gas Modernization Program, or SMP. Peoples Gas remains committed to modernizing its system by replacing aging infrastructure in the most efficient
manner possible.

In the pending proceeding regarding SMP, scope, schedule and other issues, the Commission directed Peoples Gas to file a preliminary report by August 19th and monthly reports.

Peoples Gas has filed those reports and they are available on the Commission's website. These reports provide the Commission and interested parties with detailed information on our progress to-date.

I'm pleased to report significant progress in our first year of implementing the SMP Program. We are on pace to complete 90 percent of the work we have planned for 2016 and, in primary categories of SMP, our increased efficiency is reflected in our performance.

In addition to completing our work as planned, we have made accomplishments that are not reflected directly in the metrics. We have focused this year on substantially growing and developing our team, upgrading our processes, and improving our
contracts with vendors to better align with program goals. These efforts will lead to greater cost savings and efficiencies in the future.

We have worked extensively with the City of Chicago to improve coordination and ensure more detailed planning information. This has led to better communication and allowed us to reduce the need for permits and minimize disruption for our customers.

Largely, as a result of completing the work as planned, we have experienced dramatic reduction in customer complaints. We have also focused on customer satisfaction by implementing a program called "We Care." Under that program every customer who has interaction with Peoples Gas in the field receives a call from one of our employees to determine whether they were satisfied and identify any areas for improvement.

As part of the We Care Program, to-date Peoples Gas employees have made over 196,000 calls and spoken directly with over 90,000 customers since the WEC acquisition.
In reviewing the reports, you will have noticed that we are tracking to invest less than our original 2016 plan. This is driven by completion of work -- more work than we anticipated in 2015, including work originally planned for 2016.

A portion of the work that was planned to accommodate third parties was either cancelled or deferred by those third parties.

Emergent work, which means previously unannounced third-party work that emerges during the construction season, did not materialize to historic levels and cost to execute the work that was performed was below budget.

You might ask why we didn't go ahead and perform additional work in 2016 to catch our spending up to our budget and made additional progress for the program.

Actually some of the work we completed this year was scheduled to be performed in 2017. We will pull forward additional work -- move forward where it makes sense to do so.

One challenge of pulling work forward
is the potential for compressed planning, for example, the Chicago Department of Transportation, Office of Underground Coordination Process. We coordinate with 27 other entities. This year we might have accelerated even more of our construction work but our focus was more improving our internal and contractor processes and procedures.

Also, highlighted in the report is an area where we exceeded our budget. Our meter costs were about 30 percent higher than budget. We piloted a new approach to construction that reduced construction time frames and allows us to switch our meters out quicker and perform final restoration more quickly for our customers.

Efforts to accelerate installation of the meters improve the customer experience and we fully expect these cost transfers as the new processes are standardized.

I also want to give a bit of background. The information on the SMP, which you'll see reflected in the periodic reports, includes four elements or sub-programs:
neighborhood replacement, public improvement/system improvement, high-pressure installation, and transmission upgrades.

A quick explanation of these four elements: Neighborhood replacement work retires natural gas facilities identified by state or federal agencies as being prone to leakage. These projects also involve relocating meters from inside customers' homes or businesses to outside and upgrading gas distribution systems from low pressure to medium pressure.

Public improvement/system improvement work is similar -- is somewhat similar to neighborhood replacement work. The principal difference from public improvement and system improvement work is that Peoples Gas does not typically control the scope or the schedule.

In most cases, Peoples Gas undertakes these investments in response to third-party requests to relocate or replace facilities due to conflicts with public improvement projects or in concert with working to address capacity or
reliability concerns.

The third category, high-pressure installation projects, are investments needed to support upgrading local pressure distribution facilities to medium pressure.

High-pressure systems are the backbone of the natural gas system. They are required to provide adequate supply of natural gas to newly-installed meter pressure systems.

Transmission upgrade work, as the name suggests, are investments focused on natural gas transmission.

The reports that we file today have been organized by these four SMP categories and include data for each. The data includes the number of miles and cost of mains to install, the number of miles and cost of mains retired, the number of cost of services installed, the cost of restoration work, and the number of costs of meters installed.

I wanted to note in the pending evidentiary proceedings your staff and other parties to the case just last week offered several
alternatives for Peoples Gas to include in reporting

SMP information.

The company is closely considering
these alternatives and will address it in rebuttal
testimony that will be filed this coming Monday and
whether those alternatives are feasible, whether the
information necessary to support such reporting is
available, and if they are likely to provide
meaningful and available insight to the program.

It's important to also point out that
some of the changes from budgets reflected in this
report highlight some of the difficulties in
reporting performance monthly.

There's a certain amount of lumpiness,
if you will. Analyzing data over a short period of
time often providing misleading positive or negative
trends that longer-term analysis would not
represent.

Ultimately you will decide what type
of information would be helpful in exercising the
Commission's oversight function of this important
program and how often you would like to receive it.
Peoples Gas remains committed to modernizing its system throughout the City of Chicago by replacing an aging infrastructure in a most efficient manner and looking forward to working with you and other stakeholders in this process. So these are my prepared remarks. I will be glad to answer any questions.

CHAIRMAN SHEAHAN: Any questions from Commissioners?

(No response.)

Okay. Thank you.

We will, therefore, move into our Public Utility agenda. There are edits to the Minutes of the September 22nd meeting. There are no edits to the Minutes of our September 28th meeting. Are there any objections to approving the Minutes of those meetings?

(No response.)

Hearing none, the Minutes are approved.

Item E-1 concerns Ameren's Petition
for Approval of Its Peak Time Rebate Program.

Are there any objections to approving the proposed Order continuing operation of the program?

(No response.)

Hearing none, the Order's approved.


I would like to entertain a motion to grant the Attorney General's alternative request in their petition and reverse the ALJ's decision to direct Staff to repeal these allegations.

COMMISSIONER MAYE-EDWARDS: So moved.

COMMISSIONER McCabe: Seconded.

CHAIRMAN SHEAHAN: There's a motion and second.

Any discussion?

(No response.)

All in favor, say aye.

(No response.)

Opposed, say nay.
The ayes have it and the petition is granted.

Items E-3 and 4 concern a Petition to Cancel Certificates.

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

(No response.)

Hearing none, the Orders are approved.

Items 5 and 6 have been withdrawn from the agenda.

Moving on to our Gas Agenda, Item G-1 concerns Initiating Rulemaking Proceedings and Authorizing First Notice Period of the Amendment to Part 590.

Are there any objections to entering the proposed Order initiating rulemaking?

(No response.)

Hearing none, the Order's approved.

Item G-2 concerns Nicor's Reconciliation of Revenues.
Are there any objections to approving the proposed Order approving reconciliation?

(No response.)

Hearing none, the Order's approved.

G-3 concerns North Shore and Peoples' Petition for provisions of facilities and services between the affiliates.

Are there any objections to approving the proposed Order granting the petition?

(No response.)

Hearing none, the Order's approved.

Item G-4 concerns Champion Energy's Petition to protect confidential information.

Are there any objections to approving the proposed Order granting the petition?

(No response.)

Hearing none, the Order's approved.

Moving on to our Telecommunications Agenda, Item T-1 concerns Universal Telephone's petition for determination of the amount and form of supplemental assistance to be provided by local exchange telecommunications carriers.
Commissioner del Valle, I believe you have a comment.

COMMISSIONER del VALLE: Yes, Mr. Chairman.

The Federal Lifeline Assistance Program, which was started in 1985 under the Reagan Administration and later expanded to provide wireless service under the Bush administration in 2005, offers a discount to eligible low-income consumers across America and helps to make basic telephone service accessible to all.

In the docket before us we determine the amount in the form of our statutory mandate state supplemental program. We set the additional assistance to eligible low-income subscribers at $35 per connection fee. We also reaffirmed the $90.25 Federal Lifeline Support.

As of December 31, 2015, approximately 428,539 Illinois customers will participate in the Federal Lifeline Assistance Program. Out of this total, approximately 417,447 were wireless Lifeline customers and approximately 11,092 were lifeline customers.
The continued viability of the state program depends on voluntary contributions. The administrator of the program promoted this program in 2016 -- 2015 in various ways, including the proclamation from the Governor's Office during National Lifeline Awareness Week.

The program wants to increase contributions and reach more eligible customers in order to more widely share benefits of Lifeline and our state supplemental assistance.

We have information available on the ICC website in the consumer page through the Universal Telephone Assistance Program link, and I hope that the ICC will further enhance our web page on this essential program, because I think it's still a little hard to find our web page, so I'm sure our folks will try to do a better job of helping to provide potential customers with the information they need in order to access this essential service. Thank you.

CHAIRMAN SHEAHAN: Thank you, Commissioner. Are there any further comments?
Any objections to approving the proposed Order granting the petition?

(No response.)

Hearing none, the Order's approved.

Item T-2 concern Frontier North's Application for Authorization to provide Video Service.

Are there any objections to granting the requested authorization?

(No response.)

Hearing none, the authorization is granted.

Items T-3 through 7 concern various petitions for withdrawn Cancellation of Certificates.

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

(No response.)

Hearing none, the Orders are approved.

We have one item on our agenda that
concerns a discussion of administrative matters, and
to take that up I will give the floor to our
executive director.

EXECUTIVE DIRECTOR SMITH: Thank you,
Mr. Chairman.

In the past, the ICC has held
administrative meetings separate from the Regular
Open Meeting to have a discussion among the
Commission on issues that face the Commission, and
we haven't held Administrative Meetings in awhile.
I'm hoping to get back to having those more
regularly on issues that are important to the
Commission as they emerge and to have open and frank
discussions with some of the issues we face.

So in the past the format has been,
you know, kind of at the end of the Regular Open
Meeting in terms of different rooms and having a
discussion separate from the meetings; however, due
to the nature of that, both discussions being on the
record, we thought that it doesn't behoove us to
kind of move from room to room and so that we
thought putting it at the end of the regular meeting
and in front of crowds and not -- kind of changing the format a little bit, so I hope to do a little bit more of these in the coming weeks and as we move forward to kind of reframe the process.

So if there are any thoughts on the process moving forward, I would be more than happy to hear them to try to make this as successful as possible.

So for today, I thought we would kind of kick it off with just a brief discussion on something that we have been dealing with over the past year in our budget situation and where we are now versus where we are going next year.

So thanks to Jane Fields and her team down in Springfield to try to give kind of a brief snapshot of where we are with regard to our budget and what happened with the stop-gap budget, and what not, so I provided that to you yesterday, and if you have any further questions that I didn't get to today, I would be more than happy to work with Jane and her team on any questions you may have.

So, first, I would be remiss if I
didn't start and thank Staff and the Commissioners for dealing -- having a difficult situation last year with regard to our budget and being very flexible in how we operate, because of some of the difficult places the state was in, and it affected us, notwithstanding, because of our already precarious budget situation to begin with but also some of the new challenges that we face from everything from travel requests to even, you know, stamping envelopes.

I appreciate all that everybody was flexible, and open, and helpful. We are trying to find the best way to kind of get through difficult situations, but first I would like to thank everybody just made my job a lot easier and maybe some of my other counterparts.

So, first, I just want to also talk about the stop-gap budget that was passed on June 30th. The stop-gap measure was delayed because of the ICC non-GRF. We received our forward year allocation from the GA, so we are in a good operating position to get through this next fiscal
year.

So our head count though has moved.

It moved downward from about 21 percent to about 218 approved head count. Now many of those positions were unfilled and some of those positions that were removed positions that had not been filled for a long time, so we were at around 275 when I came April of last year, so about 40 or 50 positions weren't filled and through the budget scenario and other measures our head count through retirement and other people leaving to go down where we are today which is in the low 190s, but I just want to make sure that we do have authorized funding forward to 218 and we are moving that way.

One of the things that we are putting the majority of our focus on is our safety and our personnel, via the police force, the pipeline safety folks, the rail safety folks.

So, as of last year, and to give you one example, we were -- after some staff movement, we were as low as five people in our pipeline safety program, so this year through, you know, some of the
efforts of our pipeline staff, we've maintained our
ability, and I think they have done a tremendous
job.

As recent as today, we have ten
pipeline personnel, so we have added five trainees
and others retire, so we are in a good position to
move forward this year to meet all of our
obligations.

So what we are, you know, continuing
to move forward with our HR team trying to fill
those critical vacancies we have. That includes
some of the slots of our police which have been
vacated and we are working to make sure that we can
move forward to get candidates and move through the
process as soon as possible.

With regard to where we are with the
kind of overall budget, as some of you know, and
some of you have seen that, we do have a transfer
issue that was passed and that money comes from the
IPA Renewable Energy Resources Fund, and I just want
to give you a brief kind of rundown of how that will
work.
What happens is you authorized up to $12 million to supplement the shortfall in our budget, so how that will work is that we will run through our normal operating -- we will operate the same way we have using the money that comes into the public utility funds, but what we'll do when we do run out of funds is then we'll have to work to authorize transfers and on a bases which we need, so, therefore, we are going to have to have a couple of hoops we have to jump through.

So I just want to kind of discuss some of the things that OMB has made clear to a lot of agencies, more so to us who have our receiving transfers, that's to say that our spending will remain essential in hiring. That's more of a safety angle trying to make sure we keep fully staffed there.

Out-of-state travel will be maintained on a basis I think we've all become used to some of the hurdles that we have had to deal with some of that, although we do have a budget allocated for some of those hoops we have to jump through. All
discussions will be maintained on a contractual basis.

Travel will be closely monitored as needed, if they are needed. So if you have any discussions on some of those, I would be more than happy to discuss that.

Just with regard to the larger core budget, we are continuing discussions with the legislative leaders and the Governor's Office trying to come up with some solutions to this, so we don't have to keep on going back and forth from other agencies understanding it's becoming more difficult as the budget for the entire state begins to look a little better. So not withstanding that, I want to briefly touch on where we are with regard to our budget.

So this week we handed in our draft to OMB to kind of show them what we see in a budget request which they have requested from all state agencies.

So in the coming weeks we are going to sit down with the leadership and the Governor's
Office of Management and Budget to talk about our budget and some of the challenges we have to kind of come up with a road map for next year.

So some of the priorities which we are looking to kind of move forward to, some of the things that have kind of fallen by the way side over the last few years that we have attempted to address some of our high-priority projects.

I know I have talked to a lot of you about the average age of our computers at the ICC, 8 to 10 years. We are hoping to be in a position to address some of those high-priority issues, which will be computers, some laptops, printers, and some of that system.

The other thing we are going to address next is possibly moving to a Cody System, so that's going to be costly, but now it's possible I think in a lot of ways to allow us to get our voicemail back as soon as possible there, and there are other projects that we are going to try to take on, if there are funds available, such as making sure to have a good connection between the hearing
rooms via Internet, possibly working out a Wi-Fi
system to coincide with that.

So other projects we will try to deal
with what we have. That includes some stuff to help
some of the business practices here, taking on
credit card payments and improving scanners to
improve our E-tariff system.

So we are going to try to make some
smart business decisions on some of the things to
make doing business here a little bit easier for not
only staff but also the stakeholders who work with
you.

So we have submitted a draft. We are
waiting to have discussions with OMB on that, so as
we move forward, we will keep you guys up-to-date on
those discussions.

So if there's any questions you have
with regard to kind of the administrative meeting
model, some of the suggestions on topics moving
forward, I will be more than happy to have those
discussions if you have any budget-related
questions. Thank you.
CHAIRMAN SHEAHAN: Thank you.

Any questions of Cholly?

Commissioner del Valle.

COMMISSIONER del VALLE: Thank you, and I really appreciated the opportunity yesterday to ask some questions, and I just want to go over something we did talk about yesterday and that is on the authorized head count volume of 218. Our current head count is at 194, so there are vacancies there and our priority will be the safety-related decisions.

EXECUTIVE DIRECTOR SMITH: Yes.

COMMISSIONER del VALLE: Approximately what percentage -- roughly percentage of the vacancies that are safety-related?

EXECUTIVE DIRECTOR SMITH: I actually can tell you right now. I'm looking at other vacancies and it's 9 to 10 that are safety-related and that be from police chief, to assistant police chief, to a few police officer positions, including railroad safety inspectors, and environmental inspectors.

COMMISSIONER del VALLE: To improve railroad
safety --

EXECUTIVE DIRECTOR SMITH: In my mind, yes, and we had discussions in the last year with regard to making safety a priority. We have partnered with OMB and the Governor's Office to work with us on making safety a priority in hiring.

COMMISSIONER del VALLE: That's what I wanted to hear, because that is a priority as far as I'm concerned, and I think --

EXECUTIVE DIRECTOR SMITH: Exactly.

COMMISSIONER del VALLE: -- we should move as quickly as possible so those don't drag out month after month --

EXECUTIVE DIRECTOR SMITH: I don't want --

COMMISSIONER del VALLE: -- than it needs to be.

EXECUTIVE DIRECTOR SMITH: Yes. I don't want this to be used in a discussion about where our head count ought to be, and understanding we do have some hurdles with regard to some of the safety positions in hiring, because in pipeline safety finding those qualified folks is difficult.

We want to make sure as quick as, we
can because of the realities of what's going to happen across the state, if any unfilled positions could be potential targets to be removed from our head count, and being where we've been in the last year with our head count, I think we are pretty much as far down as I like to see, any further becomes difficult.

COMMISSIONER del VALLE: We certainly want to be aggressive in finding qualified credentialed applicants to keep the positions in the safety area.

EXECUTIVE DIRECTOR SMITH: Yes, and I think all the bureau chiefs and the HR team are all on the same wave length here, so we are all in the same place moving forward.

CHAIRMAN SHEAHAN: Any other questions for Cholly?

(No response.)

Thank you, Cholly.

Also, on our agenda under other business is approval of our 2017 Calendar. I would move that we adopt the calendar. Is there a second?

COMMISSIONER McCabe: 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.

Commissioner Edwards has some comments regarding National Cyber Awareness Month.

COMMISSIONER MAYE-EDWARDS: Thank you, Mr. Chairman.

October is National Cyber Security Month's annual campaign to raise awareness about cyber security. Since its inception, the leadership of the U.S. Department of Homeland Security and the National Cyber Alliance, National Cyber Security Awareness Month is expedientially to consumers, small and medium-size businesses, corporations, educational institutions, and young people across the nation.

2016 actually marked the thirteenth year of the existence of the month. Recent
legislation, support from the White House, is a popular discussion topic, and rightfully so, given the Internet is in all aspects of our daily life and we really do live in a world that's more connected than ever before.

This year's campaign places an even stronger focus on consumers since everyone and every age is a consumer that needs to be aware of his or her cyber safety.

Additionally, the focus of October 31st, the final day of Cyber Security Awareness Month, will be on building a resilient critical new system.

Now this is an area of cyber security that's of particular importance, particularly of interest to the ICC, as we all work together to protect our nation's critical energy infrastructure from cyber attacks.

This special recognition on the last day of October will actually transition to critical infrastructure security and resilience mode which will begin in November.
So I'm hopefully we can continue to work on cyber security at the ICC and continue to partner with our utilities to ensure they're doing what they need to do to increase their cyber understanding. Thank you.

CHAIRMAN SHEAHAN: Thank you, Commissioner.

I should also note that this week is Career and Energy Week, an important celebration of energy career for students across the state and the nation. The Illinois Commerce Commission is very supportive of this initiative.

Judge Kimbrel, do you have any other matters to come before us this morning?

JUDGE KIMBREL: No, Mr. Chairman.

CHAIRMAN SHEAHAN: Commissioners, do any of you have any issues you would like to raise before the Commission today?

(No response.)

Seeing that we have none, without objection, we stand adjourned. Thank you.

(Whereupon, the above matter was adjourned.)