BEFORE THE
ILLINOIS COMMERCE COMMISSION
BENCH SESSION
(PUBLIC UTILITY)
Wednesday, May 20, 2015
Chicago, Illinois

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

PRESENT:
DOUGLAS P. SCOTT, Chairman
JOHN T. COLGAN, Commissioner
ANN MCCABE, Commissioner
SHERINA E. MAYE, Commissioner
MIGUEL DEL VALLE, Commissioner
JOHN ROSALES, Commissioner (via video)

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

MR. MATRISCH: We are, Mr. Chairman.


Commissioners McCabe, del Valle and Maye are present with me in Chicago. We have a quorum. Commissioner Rosales is attending the Annual Meeting of the Organization of PJM States and requested to participate by phone.

Commissioner Rosales, are you with us?

COMMISSIONER ROSALES: I am, Mr. Chairman.

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

Is there a second?

COMMISSIONER MAYE: Second.

CHAIRMAN SHEAHAN: Is there any discussion?

(No response.)

All those in favor, say aye.

(Chorus of ayes.)
Opposed, say nay.

(No response.)

The ayes have it and Commissioner Rosales is granted permission to appear by phone.

The first item on our agenda is Liberty Consulting's Final Report and Audit of the Peoples Gas Advance Main Replacement Program.

Presenting the Staff report and Liberty's findings are Gene Beyer, Bureau Chief for the Public Utilities Division of the Illinois Commerce Commission; Harry Stoller, the ICC's Director of Safety and Reliability; and John Antonuk, President of Liberty Consulting.

At the conclusion of their presentation, we will hear from Charles Schrock, Chairman and CEO of Integrys. With Mr. Schrock are John Kleczynski, President of Peoples Gas; and James Schott, Executive Vice President and CFO of Integrys.

Following Mr. Schrock's remarks, each Commissioner will make a brief statement. After the statements from Commissioners, we will have a round
of questions from the Commissioners. I will make
the first statement and then we will hear from
Commissioners McCabe, del Valle, Maye, and Rosales
in that order.

At the conclusion of our discussion of
the audit, the Commission will briefly recess before
proceeding to the rest of our bench agenda.

Mr. Beyer, please proceed with your
report.

PRESENTATION

BY

MR. BEYER:

Thank you. Thank you and good
morning. I'm Gene Beyer, Public Utilities Bureau.

My part of the presentation is to
provide background to the AMRP and to lead into the
audit findings and recommendations themselves at
which time I'll turn it over to Mr. Antonuk from
Liberty Consulting Group.

The Peoples' Cast Iron and Ductile
Iron Replacement Program had its roots back in 1981.
The company looked at various facilities and they
looked at the age of the facilities. They looked at the size of the facilities and begin retiring plants that were considered leak prone at that time. At that time there was about 3,450 miles of cast iron and ductile iron main in Peoples' system. That's out of a little over 4,000 miles, so you can see that the majority of their pipes in the ground were of this material.

When we got to 1993, Peoples Gas developed what they call a "Uniform Main Ranking Index," and, in addition to looking at the age and the size of the pipe, they also began looking at the condition of the pipe, how many cracks they have seen, how many breaks, visual observations that tell them what the condition of the pipe looks like, the incidental leaks, how many repairs, that sort of thing, So they enhanced the testing by which they were going to rank the mains that they thought needed replacing.

For the next dozen or so years, they retired about 42 miles of cast iron and ductile iron mains every year and they gave additional attention
to risk factors and public improvement project
needs. Public improvements would be what would
include coordination with the city on various
projects going on at the city.

When we get to 2005, Peoples again
modified their way of reviewing the cast iron and
ductile iron facilities and they're going to look at
the future cost of operation and maintenance now to
see if maybe there's an economics factor built into
this, too, not only are we looking at the age, the
condition, coordination with the city, but now we
are looking perhaps there's a way to save some money
now by doing things now rather than waiting and
doing them later when they might be more expensive.

By the end of 2009, and now we are
about close to 20 years from the beginning, Peoples
reduced the percentage of their cast iron and
ductile iron main in its distribution to 46 percent,
and back in '81 it was 86 percent, and now we are at
46 percent, so quite a bit of progress was made from

A rate case followed, and in 2010 the
Commission issued an Order approving the company's proposal for an Accelerated Replacement Program for cast iron and ductile iron main, and we also, at the Commission, approved a special cost recovery for that project called "Rider ICR."

The docket number -- the docket at that time established Rider ICR, which is Infrastructure Cost Recovery, as a special recovery mechanism to recover the costs associated with accelerated replacement. That Order came out in 2010. About a later the court found that special cost recovery mechanisms to be illegal and considered single-issue ratemaking.

People then had an accelerated program that they had in progress and no longer had a cost recovery mechanism to match up with it, and so a year later, 2012, they filed another rate case to help them to get recovering costs. They cited the loss of Rider ICR as a recovery mechanism for requiring the need for their rate case.

So now we are in the second rate case in 2012 and we have got a couple of years of
replacement program under our belts, and in 2012 Staff begins looking at the company's -- the company's progress with replacing the pipe, how it's going on schedule, what it costs.

Staff proposed some adjustments in that case for what we found to be cost overruns and schedule overruns, and we also provided those as an alternative a proposed two-phase investigation which would include an outside consultant.

That two-year two-phase investigation included a one-year investigation that we now concluded and for which we now have the Liberty final report, and the other phase is a two-year verification phase where Liberty will check Peoples Gas' work in implementing the recommendations that are made in this report. Staff will be involved in that, too. We will get reports from Liberty and from the company on a regular basis.

During this first year phase, I believe we met with Liberty on a weekly call and more often as needed, and I expect we'll continue to do that in Phase II.
As you know, the Commission selected Liberty Consulting Group to handle the audit. After Peoples filed their rate case to help them recover some of the costs that they had hoped to recover under the previously approved, but later stricken, Rider ICR, the General Assembly, through Public Act 980057 added Section 9-220.3 to the Public Utilities Act. That authorized the larger gas companies to employ a mechanism for the rider that would help to recover the costs of an Accelerated Main Replacement Program, among other things.

Throughout the negotiations of that law, even though it was -- it was intended to focus on the Cast Iron Ductile and Main Replacement, replacement of leak-problem facilities, there were other areas that all the parties agree, all the parties to those negotiations agree, should be part and parcel of the law, too. It should be allowable to be recovered through the new special rider mechanism.

Some of those, not all, but some of those projects that are allowed in Peoples Gas'
rider include installation of facilities to retire the cast iron and ductile iron gas distribution facilities, and that's the primary, primary purpose of it, but there are related areas as well.

There's a relocation of gas meters from inside to outside customer facilities. There's the upgrading of the gas distribution system from a low-pressure system to a medium-pressure system, and then there are two others regarding high-pressure transmission pipelines and installation of regular stations that might also play into Peoples Gas' AMRP Program.

The core of their program is really the first three items, the installation of facilities to retire the leak-prone facilities, relocation of gas meters and the upgrading from low pressure to medium pressure, and those represent the core of Peoples' AMRP program as we know it right now.

This next slide is just to make sure we are all aware that PHMSA, the Pipeline and Hazardous Material Safety Administration, an arm of
USDOT, which oversees our ICC pipeline safety 
program, has also been very interested in 
replacement of retirement of facilities that are 
considered prone to leaks, high-risk facilities.

They have issued three advisory 
bulletins to natural gas operators. They wanted to 
know about each company's review, a comprehensive 
review of cast iron replacement. They wanted to 
know where the talks were on Accelerating Pipeline 
Replacement and how to rehabilitate and replace 
high-risk pipelines.

There's also a Distribution Integrity 
Management Plan, and that kind of is a new way to 
rank some of these mains to look at the various 
risks associated with what facilities were in the 
ground, and we worked, the ICC Pipelines Safety 
Program worked, with all the utilities to help 
develop that Distribution Integrity Management Plan 
for all of them.

Briefly, on the consultant selection 
process, we followed the contracting process as set 
forth in the Illinois Procurement Code, as specified
by the Illinois Executive Ethics Commission, CMS, and Illinois Procurement Policy Board.

We issued a request for proposals November of 2013. We included 33 areas that we wanted the bidders to address in their proposals. Appendix A of the Liberty report list those 33 issues. The ICC received one proposal for this project. We continue to do our job as far as evaluating that proposal, gives us pre-determined measurements to see if they satisfy the demands of the RFP and what we look for in these sorts of projects, and we determined that Liberty did pass the test and satisfied the requirements of the RFP.

They began their work in 2014. They just recently issued their 2015 report, and that I think brings us up to today.

Is there anything -- you want to take care of that?

MR. ANTONUK: Yes.

MR. BEYER: That brings us up to today, and unless there's questions, I would like to introduce --
CHAIRMAN SHEAHAN: We will take questions at the end --

MR. BEYER: Okay.

CHAIRMAN SHEAHAN: -- after your presentation.

MR. BEYER: This is Mr. John Antonuk. He's president of Liberty Consulting Group and he can go forward with his part.

PRESENTATION

BY

MR. ANTONUK:

Thank you. Good morning. I want to start by making sure you understand that we had the support of your Staff all the way through the audit, and that was very important and extremely helpful in getting us to the stage we are at today, and it would be remiss of me not to make sure that it's clear to you all to understand how grateful we are for that support.

Work like this also takes a high level of support from the company that's being examined, and there were some issues early in terms of getting information on a timely basis. We had senior
meetings or meetings with the senior executive leadership of Integrys and we worked out a series of problems, and I want to say that by the end of the job, I also wanted to note that I think we received a very commendable level of cooperation from the company and that cooperation also was very important to us in being able to provide for you the report that we have.

Moving to the substance of the report, I want to be brief about this. The first thing I think that needs to be said is that the AMRP is succeeding in eliminating high-risk pipe from the system. There is a great deal of such pipe. We consider that pipe to be representative of a very high level of public safety risk and the company is moving very substantially to reduce the high-risk pipe from the system. They're doing so under a conceptual approach and design and think it is effective.

The standards, and materials, and installation methods are generally sound, and that's based on probably somewhere on the order of a
thousand hours of field inspections, plus review of
engineering and construction standards by people
with executive and senior management experience in
the gas industry, in the engineering and
construction side.

The average installations under the
program in the last four years have been roughly 70
to 80 miles per year. As I'm going to explain,
that's not a pace that will complete placement
within the 20 years that is targeted, but it,
evertheless, does represent a significant
acceleration of the rate that was being achieved in
more recent years.

Moreover, the company does use
effective methods for assessing risk and they are
following those methods in determining where to make
replacements.

With that said, there were a number of
technical opportunities that we found, and I listed
some examples there, and I don't propose to go
through them, but I wanted to make sure you
understand that while I'm ready to move into what I
will call more management and control issues, there
were a number of technical opportunities for
improvements that we found to exist as well.

The three overriding issues I think
that we found as a result of this investigation are
that there are critical drivers of the program's
success that we think remain unknowns at this point
well into the program.

The first unknown is how much will the
program cost upon completion. The most current
estimate is now three years or more old and is no
longer useful. It's no longer reliable. It does
not provide a proper basis for measuring likely
program costs. It is too low, but by how much it is
too low is not in our view presently knowable.

The company has lacked the capability
to actually to prepare a new estimate. We had
anticipated the creation of one in mid-2014, but we
were informed that the company was developing models
that would provide such an estimate, and the
provision of such an estimate remains outstanding
today.
The next question is how long is it going to take to eliminate high-risk pipe. There's talk about a 20/30 completion date or 20 years, but the program does not operate under a long-term schedule that makes clear how the company will get to completion in 20 years.

There's also a question about what is the long-term commitment in the company. The question I think in that regard relates to the degree to which the company's commitment to completion in 20 years is or is not contingent upon a continuation of a rate of recovery method.

In terms of where the project or the program stands now on schedule, there are not available metrics that allow you to measure what progress should have been earned at this point versus what's actually earned.

We attempted some indirect means of assessing the schedule progress and it may be that progress is much as a year behind after four years into the program. So if that's so, there's been a loss of one year in the first four years, and if
that's a valid conclusion, ultimately then it does suggest that a 20-year completion for the program is in doubt.

The last issue really is a function of leak rates, and the program is about replacing leaky pipe. There should be a reduction in leak rates that is commensurate with replacement, and that means accelerated replacement. That's not happening.

On a nominal basis, leak rates actually have been increasing. The company would make adjustments for weather, which does in areas like Chicago have a significant impact on leaks and on accidental hits.

Even if you take full accounting of the adjustments the company proposes, those rates essentially will remain the same or decreasing only very marginally, despite the fact that, as I mentioned, the replacement rates some of them were double what they had been in the years leading up to the AMRP.

The question that raises is whether
program expenditures can better be directed at reducing leaks, and that's an issue that we recommended and continue to address with the company during the implementation phase to try to identify when there are other mechanisms that can be used that will better value reduction in risk per dollar spent.

Apart from those three basic levels of uncertainty are key drivers, it's our conclusion, and we made a number of recommendations to address that, important management needs remain to be filled in the AMRP, and they begin with the executive board oversight. They involve the management structure and the integration of resources involved in making sure that all of the resources directed at AMRP are well coordinated and directed from a comment source authority.

There's a need for integrating utility resources and work planning. Many of the people who perform work on the AMRP do these other day-to-day functions, other normal functions, and they're extensive as well, and they're important as well,
and there's a need to make sure that the AMRP work
is properly integrated into the work plan -- the
overall work plan and process to make sure that
neither the AMRP, nor other important work ends up
suffering through lack of attention to integrating
needs.

There are key staffing needs that need
to be filled, and then, in addition the program
needs a number of tools, and data, and analyses that
are required to support sound estimates.

As I noted, there is not an estimate
for the program. There's a need to develop the
capability and the commitment to estimating cost
control. There's a need for greater tools, data
analysis also to develop and then manage to a
long-term schedule versus the short-term schedules
that it currently and has been using.

The company needs to develop more
meaningful measures of performance so it's better
able to assess how the program is performing
against key milestones, key objectives, and key
performance measures.
And then, finally, there's a need for focus on corrective action plans. Our recommendations are fairly extensive and we think it's going to take not just the development of the specific responses to the recommendations but also a structure -- I'll call it a change in management support structure -- that will exist to make sure that the right attention continues to be placed on taking corrective actions and that particularly there are going to be uncertainties with respect to change in control, that the impetus behind change for the AMRP remains strong and remains focused through that period of transition.

And then, finally, there needs to be a top level driven focus on safety training and development. There are some, we call them, corporate structural issues we think needs to be addressed. There's some consolidation of the programs that need to be addressed. There's some clarification of authorities that need to be met, and there needs to be a sound process for identifying long-term resources and making sure that
they're both acquired, and developed, and they're
nurtured as the program goes forward.

CHAIRMAN SHEAHAN: Great. Thank you. We will
now hear from representatives of Integrys and
Peoples. Why don't you step forward. There's a
button on the mic to activate it.

Mr. Schrock, you may proceed when you
are ready.

PRESENTATION

BY

MR. SCHROCK:

Good morning, Mr. Chairman.

CHAIRMAN SHEAHAN: Good morning.

MR. SCHROCK: I'm Charles Schrock, Chairman and
CEO of Integrys Energy Group. Joining me today are
Jim Schott on my left, and he's Chief Financial
Officer, and John Kleczynski on my right, and John
is president of Peoples Gas and North Shore Gas. I
would like to thank you and the Commissioners for
this opportunity.

One of the things I want to clarify as
I work through my remarks we refer to the
Accelerated Main Replacement Program as AMRP in case that was unclear. I will be using that acronym throughout my brief remarks.

My comments today discuss the needs and support for the program. I will also discuss our commitment to a world-class Main Replacement Program up to, and including, this most recent Liberty audit.

The AMRP is a critical infrastructure project for the City of Chicago and the State of Illinois. At the inception of the AMRP, Peoples Gas had approximately 2000 miles of cast iron and ductile main, some of which was installed in the late 1800s.

The system requires a great deal of effort to maintain on a safe and reliable basis, and we expect that it will become more difficult and more expensive to maintain in the future. The system clearly needs to be upgraded with modern materials.

Since the merger of Peoples Energy and WPS Resources through Integrys, it has been a
proponent of this upgrade. The Commission's support of us in our efforts by approving a rider to recover costs of this upgrade, approving recovery of costs in subsequent rate cases, and working with us and others to obtain overwhelming bipartisan legislative support for legislation and the Governor's signature on that legislation that authorizes a 10-year rider for cost recovery.

We do appreciate and welcome the support from the Commission and the Commission's pipeline safety staff.

The AMRP is the largest, and arguably the most ambitious, Natural Gas Modernization Program in the country. Peoples ramped up the program in 2011, 2012 and 2013, despite uncertainty regarding recovery of the cost of the program. Not unexpectedly for a program of this magnitude, we have had some growing pains. Our goal is to develop a world-class program, and we are committed to continuously improving the program to do so.

As such, we pro-actively sought out expert advice on the program resulting in numerous
improvements. We engaged a world-leading engineering and construction firm, Jacobs Engineering, to assist us in program management and shortening the learning curve of managing a program of this size.

In addition to Jacobs, we engaged Price Waterhouse Cooper on two separate occasions to review the program and provide recommendations for the improvements.

The Liberty audit is now completed and we view this as an opportunity to further improve the program. Liberty's extensive interviews and interactive field observations actively support our ongoing review of the construction program and its processes.

The candidness and the acumen that Liberty exhibited during the audit and in their reports will greatly help our efforts to continuously improve and to make the AMRP a world-class construction project.

We are committed to continuously evaluating and improving our performance until the
last piece of cast iron pipe is replaced.

I was gratified that Liberty recognizes commitment in its report noting that Peoples Gas confirm, and I quote, its willingness to commit to a number of actions, some already underway and some of those approaching completion, whose general description is going in the direction of Liberty’s recommendations.

In addition, Liberty noted the efforts and achievements made by the people who work for the AMRP. Also Liberty found that the Peoples Gas leadership demonstrated an active commitment to a broad series of changes to improve execution of the project. This included a reorganization of Peoples Gas bringing a much higher level of coordination to the AMRP.

As the final report has just recently been delivered, we haven't yet had an opportunity to thoroughly review the findings and the recommendations.

Based on our initial review, I can say that we may not agree with everything on the report,
which is not unusual for a report of this size and
substance, but, more importantly, I can also say
that based on this initial review we are confident
that implementation of the recommendations will help
us in continuing to improve the project as we work
towards a world-class standard.

We will review the report in detail
and look forward to providing our response as well
as working with Liberty and the ICC Pipeline Safety
Staff on finalizing the recommendations and
implementing the programs.

I know one of the key concerns is
regarding the program's costs. Liberty noted that
the program's projected costs have exceeded a
significant increase. As I noted, earlier the
AMRP as faced challenges. There has been a consider
amount of change that has taken place in our first
four years of implementing the program. Indeed, it
seems that change has been the rule rather than the
exception. Despite many unforeseen circumstances,
Peoples Gas has adapted along the way in order to
continue implementation of this necessary program,
but these changes come with a cost.

We have looked at Liberty's draft recommendations relating to the costs and have embarked on developing a model that will help us better track and predict the cost of the program.

As you might imagine, this is a complex issue. Because of the complexity we have of this complexity, we have engaged a third-party consultant hired specifically to provide feedback on our assumptions, our calculations, risk and contingencies associated with the program and the model.

Simply keep in mind that AMRP is a program -- I emphasis program -- which is comprised of hundreds, hundreds of individual projects that span 20 years in total, so we need to be careful in estimating the cost.

We would appreciate the opportunity to discuss this program cost modeling and cost projections with the Commission Staff and other stakeholders when we have completed the development and the review of the model and have the information
and the expertise available when such appropriate attention can be paid to the details.

As I wrap up my prepared remarks, I want to be clear that we know we can do better and we are committed to working with Liberty and Staff on Liberty's recommendations.

Even so, I am proud of the work that has been done on the AMRP by our employees, contractors and union partners. We have made a significant amount of progress as the program has ramped up installing more than 575 miles of main, 49,000 services, approximately 97,000 meters, and have retired 304 miles of main since 2011.

We have placed emphasis on supplier diversity spending $110 million in 2014, which is almost double our spending compared to 2013, and this will remain a priority and emphasis on going forward.

Finally, I would like to acknowledge the leadership and employees of Peoples Gas and Integrys, and especially our employees who work in the field in all kinds of conditions to deliver
natural gas to our customers safely, reliably and
cost effectively 24 hours a day and 365 days a year.

All of us take this awesome
responsibility seriously and with an intense amount
of pride. Delivering AMRP in a timely and
cost-effective way is a critical part of our
responsibility. Our customers and the City of
Chicago deserve a safe, reliable and
reasonably-priced supply of natural gas.

Our customers in the City of Chicago
deserve a world-class natural gas distribution
system, and that's what we will deliver.

Thank you for giving us this
opportunity to speak, and we'll be happy to take
your questions.

CHAIRMAN SHEAHAN: Thank you, sir. We'll ask
that you remain at the witness table. Each
Commissioner will now have an opportunity to make a
brief statement and then we'll have a round of
questions following those statements.

I'll make the first statement and then
we'll hear from Commissioners McCabe, del Valle,
Maye and Rosales.

First, I would like to thank those of you who are present today. Thank you, Mr. Beyer and the ICC Staff; Mr. Antonuk from Liberty Consulting, your team for the effort you put in the last year producing this final report; and thank you to Mr. Schrock and representatives of Peoples and Integrys for appearing today to address the Commission.

The ICC initiated this investigation of the AMRP last year out of concern that the program was off course. A third-party analysis was warranted both to understand the current status and provide recommendations that Peoples will follow to correct the course of the program.

A year later Liberty has presented an audit, including 33 areas of review and 95 recommendations for improvement. Clearly the worries of the Commission were confirmed, and while the audit is finished, the work of improving this necessary project has only begun.

I am encouraged by the response from
Peoples Gas to Liberty's recommendations and the fact that our staff and Liberty have been advising the companies since last fall. These discussions have led to a substantial consensus on where improvements should be made.

It is essential that the Commission will require that Peoples Gas develop a thorough plan for implementing all of the recommendations. Over the next two years and beyond, the ICC will continue to work aggressively to provide oversight over the project and to protect the public interest. Importantly, the Illinois Commerce Commission will work to ensure that costs of mismanagement will not be borne by Peoples Gas customers.

I would like to now give Commissioner McCabe an opportunity to make a statement.

COMMISSIONER McCabe: Thank you, Mr. Chairman. In modernizing and replacing our gas pipeline system, it's important to the health and safety of our state's residents as Brookline (phonetic) illustrates.

The Liberty audit details significant
problems with Peoples' execution of the Advanced Main Replacement Program and in particular the lack of adequate management, control and oversight.

According to the audit, there was no plan to complete the project on time and the company could not credibly estimate the cost of the AMRP program.

I look forward to hearing about how the company, and the auditors, and staff will meet the audit findings.

CHAIRMAN SHEAHAN: Commissioner del Valle.

COMMISSIONER del VALLE: Thank you, Mr. Chairman.

The Peoples Gas AMRP has struggled for many years. As with any utility before the Commission, only the company has all the relevant information. Now this audit has shed light on the status of this important project.

This audit was initiated by me and proposed by my office in Docket No. 12-0512 and unanimously adopted by the Commission. This report confirms the importance of the Commission's decision to require the audit. In fact, the report indicates
that the problems are much worse than we feared.

The Commission had made clear and approved the modernization program in 09-0167 that public safety is the primary issue. This was not just about updating a distribution system. This was addressing the deterioration of the system, and as we stated, safety and reliability are simply not negotiable. This remains true today, and I am confident that the Commission will ensure that this project is executed within a reasonable cost and in the required time line to ensure a safe and reliable distribution system that Chicago's ratepayers are paying for. Thank you.

CHAIRMAN SHEAHAN: Thank you for your leadership on this, Commissioner.

COMMISSIONER MAYE: Thank you, Mr. Chairman.

It's a disappointing day when millions of Illinois state citizens learn that the utility that they rely on has gravely mismanaged and misused their hard-earned dollars.

As a regulator, I am shocked and
disappointed to see the results of the Liberty audit which states that an accurate estimate of the cost of the AMRP is not possible.

Peoples Gas consumers should not have to pay additional money to clean up the mess that was created by lack of guidance and organization by the company.

At this point I expect nothing less than a thorough plan to be put in place that will yield the results that we anticipated on the improved rate recovery to the AMRP over the last few rate cases.

I look forward to working with our staff as well as the leadership of the company to ensure that that happens immediately and without further delay.

CHAIRMAN SHEAHAH: Thank you, Commissioner Maye. Commissioner Rosales, are you with us?

COMMISSIONER ROSALES: Yes, Mr. Chairman.

As Commissioners, our primary role is to ensure the reliable provisions of utility services in a cost-effective way for its customers
of Illinois. The most disturbing piece of this audit in my reading is the inability of Peoples Gas to put a current, accurate cost on the AMRP.

Peoples' customers should not pay for the mistakes of Peoples Gas and Integrys management and it is the responsibility of this Commission and our Staff to determine what the problems of management are.

We all agree on the essential need for this program. Eighteen hundred year old pipe from the 1800s of the needs to be replaced. There's also no doubt about the process. There's no doubt that as a project of this magnitude what it means mismanaging arterial streets and intersections and replace pipe, but those considerations don't make the lack of the process understandable and contrary they make a lack of the process all the more concerning.

I want to thank Liberty for a very thorough audit of the AMRP and answer questions today. It is essential that Peoples Gas and Integrys leadership understand the significance of
the changes that need to be made. It must also
realize that this report is the beginning of a
massive effort on their part to reform this program
and that Liberty auditors and ICC Staff will be
clearly auditing their work.

By state law, as you know, Peoples Gas
has applied for a tariff through the Commission to
recover costs associated with the investment of the
AMRP, but I want to be clear this Commission will
not accept a cost of mismanagement that this audit
discovered.

Thank you, Mr. Chairman.

CHAIRMAN SHEAHAN: Thank you, Commissioners.

We will now proceed with a round of
questions from Commissioners. I will begin, then we
will hear from Commissioners McCabe, del Valle, Maye
and Rosales.

I have one question for Staff.

Mr. Beyer, how can we assure stakeholders and
ourselves that the cost of the AMRP will be
reasonable and prudent and that Peoples will
complete the AMRP within a reasonable time?
MR. BEYER: There are two parts to my answer.

The first is to continue with the audit, to continue working with the company and Liberty to ensure that we do get good cost estimates and good schedules for completion of the program. That will set the basis for an improved program and providing us some assurance that the costs and the schedules are reasonable.

Beyond that though, when we get into a rate case in which a portion of these costs will be litigated and reviewed, Staff will do the same type of review it did in the say 2012 case when we began reviewing AMRP costs at that time. We noted that at that time the serious cost overruns and quantified those cost overruns and primarily because the program was still rather new and there had been a couple of problems with the Rider ICR and what have you.

We also provided the alternative to proceed with this audit, and that was what was included in the Commission's final Order was the direction to proceed with this audit and give us a
good solid basis for proceeding.

In the next rate case we intend to do the same review that we did in the 2012 rate case and that is to look at all the expenditures, look at the projects, look at their progress in satisfying the schedule. We hope at that time to have a better back drop through scheduling and cost estimating as that might comport from the implementation and the recommendations.

The second area we are going to look at is to review any costs that are run through the special rider that was added to the law in 2013. A lot of AMRP costs run through the rider. I'm guessing a majority of those costs run through the rider. I don't recall the details right now, but we are going to look at that rider every year in a case to see what the costs have been and to make a determination from Staff's perspective of what reasonable and prudent costs are and those are the recommendations that will be litigated and the case will be presented to you.

CHAIRMAN SHEAHAN: Thank you.
Commissioner McCabe, questions?

COMMISSIONER McCabe: How has the working relationship with the --

(A brief interruption.)

CHAIRMAN SHEAHAN: Let's pause. The building is engaged in a fire drill exercise. We are exempt from it, so we should just pause.

(Off the record.)

Commissioner McCabe.

COMMISSIONER McCabe: Thank you, Chairman.

How has the working relationship with the city evolved, the City of Chicago, and how much will the program's setback slow down in the miles of pipe replaced can be explained by that relationship and possibly trying to match the Pipeline Replacement Program with the city's infrastructure replacement priorities?

MR. ANTONUK: I think the initiation of the AMRP was difficult for both the company and the city. The massive amount of work that came about I think shocked the systems of both, so I describe the early part of the program as kind of each of them getting
accustomed to what the other needed and would
require to do their jobs.

I think following that, essentially
what happened was the inability of the company to
integrate schedules well meant that they were
starting to have quite a number of permit programs
with the city, expired permits, no permits, taking
too long in making restoration following
installation, So I think that phase really set the
company back substantially in dealing with the city.

The company has made pretty strong
efforts to -- I don't want to say repair the
relationship. That makes it sound like it's broken,
and I don't know the answer to that, but certainly
to improve relationships with the city on a higher
level. We frankly think the company's done about
all it can do to fix things at that level, although
they need to continue.

Really what's going to I think in the
long run improve the relationship with the city is
better performance in terms of being able to get the
work done within permit windows, complete
restoration work on time, complete restoration work to the city's satisfaction.

Beyond that, I think it's also fair to say is that the degree to which the city's requirements are going to affect the program's work were not well understood and were subject to change in the early years of the program. There's no double that the changing city requirements increased the amount of work it takes to make replacements.

My biggest concern from the future perspective is this, that we understand from the company that the city plans for a very substantial increase in street work in the coming years. The company has done the best it can to try to match AMRP work with city work, because it's just very difficult to get back in the streets to reopen them after they have been dealt with by the city.

I mentioned one of our concerns is the failure to decrease in the fall. The degree to which the company is going to need to coordinate schedules with the city in the future if, in fact, the city is going to increase work substantially I
think poses an additional risk to kind of diverting
attention from the highest risk pipe to pipe that
happens to be in the areas that are covered by the
city's plans for its work in the streets, and that
doesn't just mean street work. That means city
utility work obviously.

Also, I think they're going to have
some very careful attention paid to how coordination
with the city needs to take account of the fact that
the company really needs to begin the high-risk pipe
out of the ground as fast as we can.

CHAIRMAN SHEAHAN: Mr. Schrock.

MR. SCHROCK: I think Mr. Antonuk actually has a
very good understanding of the issues involved, but
I am proud of the work we have done just recently to
improve our cooperation and our coordination with
the city.

And John Kleczynski would like to
comment on that.

MR. KLECZYNSKI: Thanks, John. Thanks, Charley.

I, too, would agree with Mr. Antonuk
in terms of your assessment of what has led to some
of the difficulties we had in the early stages of the program, but I think what's good is that we have learned from literally stages of the program we ramped up and learned that within our workload, whether they be associated with the AMRP or associated with our regular 0&M maintenance work, we have to do a better job of planning and coordinating that with the efforts of the city, so we have reached out in the past eight months, since I have had this role, have tried to develop a strong relationship -- a working relationship with the CDOT commissioners, as well as staff, to make sure that coordination happens across all of our associated workloads, not only on AMRP. We have seen improvements and we have seen better handling of some of the issues that you have identified, John, on permit restoration.

MR. ANTONUK: If I could just -- maybe as a footnote, as important as the AMRP is, it can represent as little at 10 to 15 percent of the permits that the company needs from the city, so when you look at relationships with the city, our
focus, obviously, is primarily through the AMRP, but
I think it's critical to realize from the city's
perspective the AMRP, while it's important, is
really only part of the challenge of trying to work
with the company to make sure that the company gets
its work done in a way that minimizes disruption to
the residents and businesses of Chicago.

MR. KLECYNSKI: And if I could make one more
comment and kind of put it a little more succinct,
coordinate our workload better so all of that work
now happens within the guise of the leadership
within Peoples Gas. So whether it's our operations
maintenance work or our AMRP work, we now have a
single coordinated effort of the workload and that
helps with that relationship.

COMMISSIONER McCabe: If the merger with
Wisconsin Energy is approved, how do you expect AMRP
management oversight to change?

MR. SCHROCK: Commissioner McCabe, I actually
anticipated that question.

COMMISSIONER McCabe: How about that.

MR. SCHROCK: The fact is the organizational
structure is still being developed by the WC Energy Group and Wisconsin Energy. I do not have any additional insight into exactly who they intend to put where.

There's two things I would say. I know they're very interested. They have stated publicly that they intend to bring leadership to Chicago to manage the businesses in Chicago, and they have also made it very clear they fully intend to support the project, to implement the project and to implement the recommendations.

CHAIRMAN SHEAHAN: Commissioner del Valle.

COMMISSIONER del VALLE: Thank you, Mr. Chairman. I have a couple of questions. The audit findings that Peoples is roughly a year behind schedule, what's the priority? Is the priority getting this project completed on time or is it ensuring recovery through the costs through the rider?

MR. SCHROCK: Commissioner, it's certainly both. Those are very important. I think our top priority is the safety and reliability of the system that
will take precedence over all else.

COMMISSIONER del VALLE: So getting it done on
time and addressing the safety issue?

MR. SCHROCK: And to be clear, we need to manage
safety every day and in the future, and that will
always be our priority.

Having said that, we expect to manage
the project and to complete it in a 20-year window
that we talked about, and we'll fully expect that we
would get appropriate recovery for our costs doing
that, but safety and reliability are the things that
we worry about.

COMMISSIONER del VALLE: Given that if the rates
continue to increase, what will the change in
approach mean?

MR. SCHOCK: I always worry about sounding a
little defensive here, but I mentioned some things
earlier. There's some things in that report, the
Liberty report, that we don't agree with. We need
to have a good dialogue around those issues. The
leak rate is one of those things.

Our interpretation is we have been
making progress. Your question I think could be
done in a more straightforward way. If we see risk
increasing on the system, leak rates on the system,
we need to address that immediately.

And let me ask John to comment a
little bit more, because he's from operations, the
way we do that.

COMMISSIONER del VALLE: By the way, before you
do that, I understand some of these hits that have
occurred that the city's responsible for are not
your fault. In developing the activity with the
water department, we see more of those hits take
place, so that increased coordination becomes even
more important.

MR. KLECZYNISKI: That's well said, Commissioner,
and that's why not only with the Chicago Department
of Transportation, but with the Department of Water
management, too, we forged a relationship in terms
of trying to make sure our work does get
coordinated, so we do encounter each other's
facilities at a significant rate.

As far as the leak rate, again, as
Charley mentioned, it's one where I think we have a little bit difference of opinion, so we look at what has driven some of our leaks, the hits, as well as the effects of weather, when you look at it from that perspective, and just strictly leak totals you might not see the impacts of your program; however, I look at the weather over the past two winters had a profound affect on the system.

The pipe we are talking about replacing, if we discount that and normalize our weather and thus normalize our leaks, as well take out effective hits, we see in the data a decline in the leak rate.

Now I do want to say though that Liberty has recommended to us that we look at how we prioritize our main replacement, and we have recently made changes to our prioritization methodology and think that that is going to have an effect that Liberty has asked us to look at which is to go after some of our highest risk pipe.

COMMISSIONER del VALLE: Now you indicated earlier that you are committed to actions -- and
please correct me if I'm not quoting you right --
committed to actions with a general description
going in the direction of Liberty's recommendations.
Is that accurate? Did I write it down right?

MR. SCHROCK: Yes, you did. That was a quote
from the Liberty interim report.

COMMISSIONER del VALLE: But you are committed --

MR. SCHROCK: Yes, sir.

COMMISSIONER del VALLE: -- to the action.

Looking at Staff reports and comments
made in the docket, is it your understanding that
these recommendations can be negotiated without any
input from other stakeholders and then implemented
without Commission approval?

MR. SCHROCK: Commissioner, I need to address
your last question. I don't know the exact
oversight, but it would not be our intent to do this
independently. We fully intend to work with
Liberty, with the Commission Staff and stakeholders
as we develop an implementation plan.

MR. BEYER: As far as how we are going to proceed
from now, it's Staff's preference that Liberty,
Peoples Gas and Staff work on the next two years of the implementation plan. It's not our intention to invite other parties to participate in that. It's a response from Peoples Gas to the recommendations that Liberty's making and Staff participates in that and reports to you on the progress. It's similar to our pipeline safety work where our pipeline safety inspectors go out and audit the books and records of all the utilities. We do not have anyone accompanying us in that sort of work.

What we are trying to do now is implement these recommendations, and, as we maintained during the merger case for the past several months, it's our preference to keep this program separate and out of the litigated arena, So it's our fear that that could get delayed. Motions are filed. Parties are participating and it would interfere with implementing the recommendations.

At the conclusion of the phase-in or during the phase-in, if we have problems, for example, if there's a difference between the
company, and Liberty, and Staff as to what recommendations can be implemented and what can't, if there's disagree there, we are going to bring something to you and that could turn into a docketed case if we have to.

COMMISSIONER del VALLE: Because I already heard that there are some disagreements.

MR. BEYER: You say frankly they don't agree with all of them, that's not uncommon and a lot of times we work that out, but if we can't work that out, we will come before you.

COMMISSIONER del VALLE: You will come before us?

MR. BEYER: Yes.

COMMISSIONER del VALLE: Thank you.

CHAIRMAN SHEAHAN: Commissioner Maye.

COMMISSIONER MAYE: Thank you, Mr. Chairman.

It's been made clear that there are some disagreements with Mr. Beyer. That's not uncommon, but do you agree there is an inability to put an estimate on the cost of the program?

MR. SCHROCK: I think the characterization that Mr. Beyer made is accurate that we have not
developed a comprehensive model to provide that sort of estimate. The estimates that we did in the past were based on a different approach and developing a different approach.

COMMISSIONER MAYE: My biggest issue here is that I do wholeheartedly believe you have lost the trust of your consumers and your ratepayers, which I think is a significant priority to gain back. What is your next step in doing that?

Let me follow that up with saying, and I myself am a Peoples Gas ratepayer, but the majority of your consumers they watch the news, listen in the media, and know that you are consistently paying a cost, and your rates have been increasing significantly and consistently over the last few years for this program that now is not where it's suppose to be and you can't tell how much it's going to cost or how long it's suppose to go on.

So what is your step in addressing our concerns and how do you expect them to trust you?

MR. SCHROCK: Commissioner, it starts with
communication and it starts with you, and the Staff, and the Liberty report. May I make a couple of comments in general?

COMMISSIONER MAYE: Please.

MR. SCHROCK: One of the issues with developing a long-term projection, a 20-year projection, is that so many things change from the time you do the projection to the time -- to the end of that 20-year period.

In the first few years of the project that's what we have seen. We have seen regulation changes. We have seen changes in what we think we need to do from a safety standpoint on the construction project.

So our view is that the best way to manage the project is by managing it on a project-by-project basis over the next three-to-five years getting a very good view of what that is and managing those costs, because, frankly, any number I put out from 20 years is likely to be wrong. You can put a range around it, but you are still subject to the changes that will occur over time, and
actually Liberty in the report, from the bit that I've reviewed, looks like they understand that.

   Now, on the other hand, they have will back and offer us recommendations on how that long-term cost could be used holistically to measure and to influence some of the decisions we make along the way, and that's a great insight that we intend to implement and that's why we are putting together the model.

   So just a couple of comments on the cost and how we manage the project, and we do that very carefully on the near term, but the longer term view is something that at the moment we don't use in our thinking.

   COMMISSIONER MAYE: And I understand that. I think it's important though again that consumers have an understanding of that and that you try to work to get ahead of that and deliver that information to the consumers.

   As I mentioned, I'm one of your ratepayers. So perhaps you need to work on a communications plan with your consumers to let them
know what's going on.

MR. SCHROCK: And we agree with that.

CHAIRMAN SHEAHAN: Commissioner Rosales, questions?

COMMISSIONER ROSALES: Yes. From what I have read in the report and what I'm hearing today is some times doesn't coincide. In looking specifically on Page 12 of the report, in the last paragraph states that "Recently begun company initiatives to address AMRP needs include significant changes in cost of equity and management. They do not as yet" -- I'm quoting this -- "they do not as yet reflect a full transition to the holistic approach that Liberty recommends," and that's from the Commission's perspective. This is very discouraging.

So the report concludes that an accurate estimated cost of the AMRP is not possible. That's what Commissioner Maye has spoken about, but following up on Commissioner Maye's question, how far along do you believe Peoples Gas is right now and when will Peoples be capable of estimating the
completed cost with some basic level of professional accuracy? I heard it's 20 years, and there's a lot -- I just haven't heard an answer yet.

MR. SCHROCK: Commissioner, John Kleczynski will respond to that.

MR. KLECZYNSKI: So, first off, I would say this gets back to what I think a couple of times of the term "disagreements" that are out there. I want to maybe dispel that a little bit.

So when you look at the draft's final report we saw, I think we tallied 93 recommendations from where we had already started moving forward for the last several months on almost 60 of those, and we were doing so under a pretty strict program or project management approach, some of those do affect customer recommendations Liberty made to us, Commissioner, so we are moving forward on those.

As far as the cost model, that is one of those recommendations that we are moving forward on, so we have brought in an outside consultant to help us pull that model together, and we anticipate in the first juncture where we are going to need to
report on our progress in Phase II that we have a
cost model that we like to come back and talk to you
about.

MR. SCHOTT: And I would like to clarify it's the
long-term cost model we are talking about. We do
provide -- when we file our rate case, we provide a
forward-looking test year of which we forecast our
AMRP costs.

In addition, we have Rider QIP, which
we have to provide forward-looking costs, so we do
provide that information. It's not a 20-year cost
as Charley talked about. There's probably --
20-year cost is a problematic, but we do have
current year price forecasts, and we do stick fairly
close to those, and that stays within the parameters
of the legislation that talked about a 4 percent
annual rate increase, so we stay within those
parameters on a short-term basis. It's the
long-term 20 year forecast I think is what's at
issue here.

CHAIRMAN SHEAHAN: Commissioner Rosales, do you
have any others questions?
ACTING COMMISSIONER ROSALES: No, Mr. Chairman.

Thank you.

CHAIRMAN SHEAHAN: Thank you.

Any other follow-up questions from the Commissioners?

COMMISSIONER del VALLE: I have.

CHAIRMAN SHEAHAN: Commissioner del Valle.

COMMISSIONER del VALLE: One last question going back to the merger and the time frame here. The recommendations and the negotiations that will take place with Staff and Peoples will be done over what period of time roughly?

MR. BEYER: We are going to begin that immediately. We are already in Phase II, and so as soon as the report is released today and everybody sees the final report, we will begin that.

COMMISSIONER del VALLE: At what point do we see that? I know some has already being implemented, and you said that in the interim report, but at what point do we say that the final report recommendations are in the process of being implemented; therefore, they have already been
agreed to?

MR. ANTONUK: Excuse me. The process we like to see is an implementation plan which would set forth those areas where there is disagreement so we could immediately work those out within weeks, and then follow the implementation plan, what we would be doing is kind of looking quarterly. Our expectation is that we are in the process where many of the recommendations probably are already implemented. Most should be implemented within what remains of this year.

COMMISSIONER del VALLE: I guess what I'm getting at is that is the merger affecting the implementation schedule of the recommendations which includes reaching an agreement, negotiated agreement on the final recommendation.

MR. ANTONUK: From our perspective, no. It's full speed ahead.

COMMISSIONER del VALLE: Can those recommendations then be changed once the merger's approved?

MR. SCHROCK: Commissioner, I'll speak on behalf
of Peoples Gas, and, as I indicated earlier, we are not waiting for anything. We are looking at the recommendations. We are developing appropriate action plans, and we'll be working with Staff and Liberty alone to do that.

Under any circumstances, if conditions change that cause us to rethink a recommendation, we'll come back and talk to the Staff, and I can say that with confidence without any impact from the merger. That is the approach that we'll take.

MR. BEYER: I would add to that we are working with Peoples Gas. I don't know who's going to be owning Peoples Gas in the near future. I don't know who owns them now. I don't know who's heading them later on, but we are going to be dealing with Peoples Gas in the implementation of all of this, whether it's Wisconsin Energy, it doesn't make any difference to me. We are going to be working with the company. The company's responsibility for implementing the recommendations, working with us to present the plan, as John mentioned, that we will then review. We are going to keep working on that
as efficiently as we can and report to you as
frequently as we can to let you know how that's
going.

MR. SCHOTT: Would it help to provide a status of
the merger approvals? Obviously, we are waiting for
approval. There's a statutory deadline of July 6th,
so that would occur.

Minnesota is the only other state that
hasn't approved. We understand Wisconsin is going
to approve it tomorrow, and Minnesota will approve
it probably in the next month or so, so the merger
will occur fairly soon and not likely before the
September 30th deadline if that helps.

COMMISSIONER del VALLE: Thank you.

MR. BEYER: May I offer one more thing. One of
the reasons we placed the interim Liberty report in
the record in the merger case was to alert all
parties involved, including Wisconsin Energy, as to
what we were learning through the audit of AMRP, and
one of the goals is to proceed with no stops here as
to just smoothly move on, and, as I said, we are
going to look to Peoples Gas to ensure that.
CHAIRMAN SHEAHAN: Thank you.

This concludes the Commission's presentation of the Liberty audit. The report itself will be made public via the Commission's website.

I would like to thank Staff, Liberty Consulting, and representatives from Integrys and Peoples for being here this morning.

The Commissioners take this matter very seriously and we appreciate all of your efforts in taking the time to appear before us today.

Without objection, the Commission will stand in recess for 10 minutes. I will come back and proceed with our regular bench session after the break.

(A recess was taken.)

We stand in Order. The recess has expired.

Moving onto our Public Utilities Agenda, Items E-1 and 2 concern updates to two ComEd riders.

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

(No response.)

Hearing none, the filings are not
suspended.

Item E-3 involves ComEd's proposed
update to its General Services Agreement. This item
will be held for disposition at a future Commission
meeting.

Commissioner McCabe.

COMMISSIONER McCabe: Yes. I just want to ask
the ALJs whether Section 7-101 --

ACTING COMMISSIONER ROSALES: I can't hear you,
Commissioner McCabe.

COMMISSIONER McCabe: I'm sorry. The mic's on
now.

Question to the ALJs. Does Section
7-101 of the Act need Commission approval to
initiate a compliance filing by an investigation?

JUDGE TEAGUE: Yes, it does. Generally you don't
need a hearing or an investigation under 7-101 to
approve a GSA. You only need a hearing or an
investigation to disapprove a GSA.

COMMISSIONER McCabe: Thank you.

CHAIRMAN SHEAHAN: Any further questions concerning E-4?

(No response.)

I'm sorry. E-3. All right.

Moving onto Item E-4, which concerns ComEd's Petition for Reconciliation of Revenues Collected under Rider UF.

Are there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved.

Items E-5 and 6 are Applications for Various Electric Installer Authority.

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

(No response.)

Hearing none, the Orders are approved.

Item E-7 involves the dismissal of a complaint against Starion Energy.
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-8 is AGR's petition to cancel its Certificate of Service Authority to Operate as an Agent, Broker or Consultant ("ABC"), pursuant to the Public Utilities Act.

Are there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved. Items E-9 through E-18 are Petitions for the Confidential Treatment of Various Reports.

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

(No response.)

Hearing none, the Orders are approved.

Item G-1 is Prairie Point Energy's petition requesting to withdraw the motion to Extend
its protective Order.

Are there any objections to approving the petition?

(No response.)

Hearing none, the petition is approved.

Item G-2 concerns Ameren's petition for approval of tariffs associated with a Small Volume Transportation ("SVT") Program and a Request for Oral Argument in this proceeding.

Ameren's petition will be held for disposition at a future meeting.

Is there any objection to granting the Request for Oral Argument?

(No response.)

Hearing none, the Request for Oral Argument is granted.

Item G-3 involves dismissal of a complaint against Peoples Gas as to billing charges in Chicago.

Is there any objection to granting the parties' joint motion to dismiss?
Hearing none, the motion is granted and the complaint dismissed.

Item G-4 is a Petition for Interlocutory Review concerning Ameren's new and Revised Tariffs for Natural Gas Delivery Service.

I, and a majority of the Commission, believe that as a procedural matter evidentiary rules are not appropriate in case management Orders.

The Commission has an interest in ensuring that the record in cases heard before it are fully developed and contain the most accurate and up-to-date testimony possible.

However, nothing in our action today should be interpreted as modifying the Commission's past practice, rules, or governing statutes, and ALJs are encouraged to continue to exercise their good judgment as to the admissibility of certain evidence offered during cases consistent with the Commission's rules, past practice, and state law.

Therefore, I move that we grant the petitioner's request to strike Section E of the Case
Management Plan entitled "Updates to Cost of Equity."

Is there a second?

COMMISSIONER MAYE: Second.

CHAIRMAN SHEAHAN: Is there any other discussion?

Commissioner McCabe.

COMMISSIONER McCabe: Thank you. While I respect the opinion of my colleagues, I found Staff's response persuasive, including the argument that it is reasonable to have a date after which there can be no further evidence presented based on fluctuations of this calculation. In this case that date falls within the time period in which the Commission's rules prohibit the utility from submitting an update filing.

CHAIRMAN SHEAHAN: Commissioner del Valle.

COMMISSIONER del VALLE: Mr. Chairman, to rule on the interlocutory review in these specific matters, in my opinion to micromanage the discovery schedule, which the rule grants the ALJ significant authority and discretion to have the undecided effect of encouraging parties to challenge what are routine
discretionary decisions of the ALJ. For that reason, I vote no.

CHAIRMAN SHEAHAN: Thank you. I would just respond to that by saying that evidentiary rules are not routine, and not scheduling, and not of the nature that are typically found in a case management Order.

Granting the requested petition doesn't change the Commission's past practice rules or governing statute, and I think you make it clear that the ALJ should continue to use their good judgment in evaluating the request to offer evidence in the cases at all phases of the case.

Is there any other discussion?

COMMISSIONER MAYE: Mr. Chairman, I just wanted to add that I do not believe that the evidence is shared. Essentially this is premature to put that evidentiary piece in the case management Order is premature, and it's not that I disagree that we should not have a final date when additional evidence should be led, and that is premature to deal with it now in the case management phase.
CHAIRMAN SHEAHAN: Any other discussion?

(No response.)

All those in favor of the motion, say aye.

Opposed, say nay.

COMMISSIONER del VALLE: No.

COMMISSIONER McCabe: No.

CHAIRMAN SHEAHAN: The vote on the motion is 3 to 2 and the motion is adopted.


Are there any objections to approving the proposed Order?

(No response.)

Hearing none, the Order is approved.

Item T-1 concerns Virgin Mobile's Application requesting a Limited Designation as a Wireless Eligible Telecommunications Carrier ("ETC"). I believe Commissioner del Valle has some proposed edits. Commissioner del Valle.

COMMISSIONER del VALLE: Thank you, Mr. Chairman.
The edits begin on Page 20 of the Order. According to the subheading Condition No. 4 regarding the condition that applicants seek an opinion from the Illinois Department of Revenue.

The edits find that Condition 4 is not necessarily because the Commission understands that Virgin Mobile has committed to meet all applicable E911 surcharges for all of its lifeline customers, which is understood to be the practice of all lifeline providers, and the Commission can monitor this commitment through the reporting requirements in Conditions 12 and 13. Virgin Mobile is, of course, free to seek an opinion from the Department of Revenue.

I believe that certain charges do not apply. The edits do not change the conclusion that Virgin Mobile has satisfied the ETC designation requirements.

With that, I move the adoption of this edit.

CHAIRMAN SHEAHAN: I will second the edits.

Is there any further discussion?
(No response.)

Hearing none, we will move on to vote.

All of those in favor, say aye to adopt the edits.

(Chorus of ayes.)

Opposed, say nay.

(No response.)

The edits pass on the principle motion, so we have the motion to amend. Now can we have a vote on the amended Order.

All those in favor, say aye.

(Chorus of ayes.)

Opposed, say no.

(No response.)

The motion passes 5 to 0 and the Order, as amended, is approved.

Item T-2 is an Order regarding the withdrawal of an Application for a Certificate of Local Interexchange Authority.

Are there any objections to approving the proposed Order?

(No response.)
Hearing none, the Order is approved.

Items T-3 through T-5 are Petitions for Confidential Treatment of Various Reports.

Are there any objections to considering these items together and entering the proposed Order?

(No response.)

Hearing none, the Orders are entered.

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

JUDGE KIMBREL: Nothing further, Mr. Chairman.

CHAIRMAN SHEAHAN: Do any of the Commissioners have any other business to discuss this morning?

(No response.)

Hearing none, this meeting stands adjourned. Thank you.

(Whereupon, the above matter was adjourned.)