

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

The People of the State of Illinois,)	
<i>ex rel.</i> Lisa Madigan, Attorney General)	
Of the State of Illinois and the Citizens)	
Utility Board)	
)	Docket No. 15-XXXX
Petition to Investigate Possible Violations of)	
Section 5-202.1 of the Public Utilities Act)	
By The Peoples Gas Light and Coke Company,)	
IntegrYS Holding, Inc. and WEC Energy Group, Inc.)	
And For Other Relief)	

**VERIFIED PETITION OF THE PEOPLE OF THE STATE OF ILLINOIS AND
THE CITIZENS UTILITY BOARD TO REQUEST INVESTIGATION OF
POSSIBLE VIOLATIONS OF SECTION 5-202.1 OF THE PUBLIC UTILITIES ACT
BY THE PEOPLES GAS LIGHT AND COKE COMPANY,
INTEGRYS HOLDING, INC. AND WEC ENERGY GROUP, INC.
AND FOR OTHER RELIEF**

The People of the State of Illinois, by and through Lisa Madigan, Attorney General of the State of Illinois (“the People” or “AG”) and the Citizens Utility Board (“CUB”), hereby petition the Illinois Commerce Commission (“ICC” or “Commission”) to initiate an investigation, pursuant to Sections 5-202.1 and 10-101 of the Illinois Public Utilities Act (“the Act”), 220 ILCS 5/5-202.1, 220 ILCS 5/10-101, to determine whether The Peoples Gas Light and Coke Company (“Peoples Gas” or “PGL”), or any of its officers, directors, or agents, IntegrYS Holding, Inc. (“IntegrYS”) ¹ or any of its officers, directors, or agents, or WEC Energy Group, Inc. ² (“WEC”) or any of its officers, directors, or agents, at any time, (1) knowingly misrepresented facts, (2)

¹ IntegrYS Holding, Inc. is the legal successor to and stands in the shoes of the former IntegrYS Energy Group, Inc. as the parent company of Peoples Gas and its utility affiliate North Shore Gas Company.

² Prior to the completion of WEC’s acquisition of IntegrYS, Peoples Gas, North Shore Gas and other entities, the acquiring company was known as Wisconsin Energy Corporation.

knowingly aided others in misrepresenting facts, or (3) knowingly permitted the misrepresentation of facts through testimony or the offering or withholding of material information, respecting Peoples Gas's Accelerated Main Replacement Program ("AMRP"). The People and CUB also request that should the Commission conclude, following its investigation, that Peoples Gas, Integrys and/or WEC, or any of their officers, directors or agents, violated Section 5-202.1 of the Act, that it assess and impose appropriate statutory penalties in accordance with those provisions of the Act.

The Commission has authority to conduct this investigation pursuant to the provisions of Section 5-202.1 of the Act, which authorizes the Commission to open a proceeding to make determinations regarding possible misrepresentations or withholding of material information by any person or corporation subject to its jurisdiction under Sections 3-113³ and 3-114⁴. The investigation should proceed under provisions of Section 10-101 of the Act and will necessarily include the power of each Commissioner or any of the Commission's administrative law judges to issue subpoenas under that law.⁵ 220 ILCS 5/10-101.

Any knowing misrepresentations or withholding of material information by any entity undermines the Commission's statutory authority to regulate public utilities and protect the public interest. An investigation into possible knowing misrepresentations or withholding of information, by Peoples Gas itself or in collaboration with others, is therefore needed given revelations included in the reports submitted to the Commission by The Liberty Consulting

³ Section 3-113 of the Act defines "corporation" as "...any corporation, company, limited liability company, association, joint stock company or association, but not municipal corporations." 220 ILCS 5/3-113.

⁴ Section 3-114 defines "person" as including "...an individual, firm, limited liability company, or co-partnership." 220 ILCS 5/3-114.

⁵ Section 10-101 of the Act provides: "Each commissioner and every hearing examiner of the Commission designated by it to hold any inquiry, investigation or hearing, shall have the power to administer oaths and affirmations, certify to all official acts, issue subpoenas, compel the attendance and testimony of witnesses, and the production of papers, books, accounts and documents."

Group (“Liberty”) in its ongoing Commission-ordered audit of Peoples Gas’s AMRP.⁶ Those revelations indicate that Peoples Gas, Integrys, and/or WEC may have misrepresented facts or withheld material information from the Commission, Commission Staff, and parties to the ICC’s Section 7-204 consideration of the proposed reorganization of WEC, Integrys, Peoples Gas and other affiliated companies (WEC, Integrys, PGL, and their other affiliated entities are referred to collectively as the “Joint Applicants” or “JA”) in ICC Docket No. 14-0496⁷ (the “Merger Docket”). According to Liberty’s Phase Two First Quarterly Report dated September 30, 2015 (“First Quarterly Report”), Peoples Gas withheld an internal \$8 billion AMRP cost estimate from Liberty, even as the auditors sought to conduct their Phase One⁸ investigation of the state of the AMRP. First Quarterly Report at 4. Updated cost estimate information constituted material information as part of the Merger Docket, where AMRP was the most contentious issue addressed. In addition, the undisclosed AMRP cost estimate revision, on its face, conflicted directly with the Joint Applicants’ responses to discovery propounded by the Attorney General’s office and Commission Staff, which responses were relied upon by all parties. The withheld information also conflicted with statements made by Peoples Gas and Integrys executives during the Commission’s May 20, 2015 Open Meeting, in response to questions from the Commissioners regarding Liberty’s May 5, 2015 Phase One Final Report.

⁶ The audit of Peoples Gas’s AMRP was ordered by the Commission in ICC Docket Nos. 12-0511/0512 (cons.). ICC Docket Nos. 12-0511/12-0512 (cons.), North Shore Gas Company, *Proposed General Increase in Natural Gas Rates (Tariffs filed on July 31, 2012)* and The Peoples Gas Light and Coke Company, *Proposed General Increase in Natural Gas Rates (Tariffs filed on July 31, 2012)*, Final Order dated June 18, 2013 (modified on rehearing December 18, 2013) (“2012 Rate Case”), at 61.

⁷ ICC Docket No. 14-0496, Wisconsin Energy Corporation, Integrys Energy Group, Inc., Peoples Energy, LLC, The Peoples Gas Light and Coke Company, North Shore Gas Company, ATC Management Inc., and American Transmission Company LLC, *Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a reorganization, to enter into an agreement with affiliated interests pursuant to Section 7-101, and for such other approvals as may be required under the Public Utilities Act to effectuate the Reorganization.*

⁸ The Commission’s 2012 Rate Case Final Order directed the audit to be conducted in two phases. Phase One would be the investigation of the AMRP. Phase Two would consist of a two-year verification period to ensure that Peoples Gas implemented the recommendations from Phase One.

In support of their petition, the People and CUB state as follows:

I. BACKGROUND

1. Section 5-202.1 of the Act provides:

Misrepresentation before Commission; penalty.

(a) Any person or corporation, as defined in Section 3-113 and 3-114 of this Act, who knowingly misrepresents facts or knowingly aids another in doing so, or knowingly permits another to misrepresent facts through testimony or the offering or withholding of material information in any proceeding shall be subject to a civil penalty. Whenever the Commission is of the opinion that a person or corporation is misrepresenting or has misrepresented facts, the Commission may initiate a proceeding to determine whether a misrepresentation has in fact occurred. If the Commission finds that a person or corporation has violated this Section, the Commission shall impose a penalty of not less than \$1,000 and not greater than \$500,000. Each misrepresentation of a fact found by the Commission shall constitute a separate and distinct violation. In determining the amount of the penalty to be assessed, the Commission may consider any matters of record in aggravation or mitigation of the penalty, as set forth in Section 4-203, including but not limited to the following:

- (1) the presence or absence of due diligence on the part of the violator in attempting to comply with the Act;
- (2) any economic benefits accrued, or expected to be accrued, by the violator because of the misrepresentation; and
- (3) the amount of monetary penalty that will serve to deter further violations by the violator and to otherwise aid in enhancing voluntary compliance with the Act.

(b) Any action to enforce civil penalties arising under this Section shall be undertaken pursuant to Section 4-203.

2. In its June 18, 2013 Final Order in the 2012 Rate Case, the Commission directed the initiation of an audit of Peoples Gas's AMRP in response to evidence presented by an ICC Staff witness alleging that AMRP management and costs were out of control and required further oversight.

3. In ordering the two-phase audit of Peoples Gas's main replacement program, the Commission found:

Part of the problem with the AMRP is the lack of detail. Staff examined Peoples' submissions to Staff DR ENG 2.12, which asked for a detailed explanation of its five-year plan for the AMRP, including all costs. They found: "There is no discussion of costs in the White Paper. There is no discussion of resource requirements or project management. The response to Staff DR ENG 2.12 states that the AMRP budget for 2013 is \$220.75 million, but does not explain how Peoples arrived at that number and Attachment 01, the White Paper, does not address the issue either." *Id.* At 19. Additionally, Peoples also stated that they "have not determined the funding level past the year 2013". *Id.* Attachment 20.02.

2012 Rate Case Order at 61.

4. As noted above, on August 6, 2014, the Joint Applicants filed an application for Commission approval of their proposed reorganization under Section 7-204 of the Act.

II. RELEVANCE OF AND DUTY TO DISCLOSE THE AMRP COST ESTIMATE

5. Throughout the Merger Docket and the contemporaneous audit, understanding the cost and scope of the AMRP was a relevant and critical topic of debate among the AG, CUB, the City of Chicago, the ICC Staff and the Joint Applicants.

A. Responses to Data Requests

6. On or about September 9, 2014, the Joint Applicants responded to discovery propounded by ICC Staff requesting that Peoples Gas provide expected annual capital expenditures for AMRP for the years 2014 through 2019 under the assumption that the proposed reorganization with WEC did not occur. The Joint Applicants responded that annual expenditures for AMRP in 2014 were expected to be \$272,000,000, \$264,000,000 for 2015 and, for the years 2016-2019, referred to confidential data provided on Joint Applicants' Exhibit 4.1 page 3. See Joint Applicants' Response to Staff Data Request ENG 1.02, Appendix A to this Petition.

7. On or about September 9, 2014, the Joint Applicants responded to discovery propounded by ICC Staff to provide Peoples Gas's expected annual capital expenditures for AMRP for the years 2014 through 2019 under the assumption that the proposed reorganization with WEC did occur. Joint Applicants responded that annual expenditures for AMRP in 2014 were expected to be the same whether the merger occurred or not, and referred to their response to Staff Data Request ENG 1.02. See Joint Applicants' Response to Staff Data Request ENG 1.03, Appendix B to this Petition.

8. On or about September 9, 2014, the Joint Applicants responded to discovery propounded by ICC Staff that requested expected operations and maintenance expenses for the years 2009 through 2013 for AMRP. Joint Applicants' response stated that the AMRP did not begin until 2011, and that operations and maintenance expenses for 2011 were \$2,038,000, for 2012 were \$2,063,000, and for 2013 were \$2,062,000. See Joint Applicants' Response to Staff Data Request ENG 1.04, Appendix C to this Petition.

9. On or about January 5, 2015, the Joint Applicants responded to discovery propounded by the Attorney General's Office requesting that the Joint Applicants

explain in detail why the projected AMRP construction costs from inception of the program to the end of the program have doubled from \$2.2 billion to \$4.6 billion based on the information supplied by the Company in Docket No. 09-0167: PGL Ex. SDM-1.18; and Docket No. 14-0496: JA DR ENG 1.02, JA Ex. 4.1 p. 3 and JA DR AG-4.05 Attach. 01.

The Joint Applicants (after objections) responded only that the construction costs restated in the data request were not comparable estimates. See Joint Applicants' Response to AG Data Request 10.18, attached to this Petition as Appendix D.

10. Each of the discovery requests propounded by the ICC Staff and by the People to the Joint Applicants that sought information regarding cost estimates for the AMRP was

accompanied by instructions that any updates to the Joint Applicants' responses be provided on an on-going basis. *See* Lounsberry Letter dated August 14, 2014 to counsel for Integrys, Peoples Gas, and WEC at 4, including Staff Data Requests ENG 1.02, ENG 1.03 and ENG 1.04, attached as Appendix E to this Petition; Lusson Letter to counsel for WEC, Integrys and Peoples dated December 23, 2014 at 3, including AG Data Request 10.18, attached to this Petition as Appendix F.

11. These discovery responses served as the basis for the parties' testimony in areas of inquiry surrounding AMRP costs in the Merger Docket. The Commission's stated policy for the conduct of discovery is "...to obtain full disclosure of all relevant and material facts to a proceeding. Further, it is the policy of the Commission to encourage voluntary exchange by the parties and staff witnesses of all relevant and material facts to a proceeding through the use of requests for documents and information." 83 Ill.Adm.Code § 200.340.

12. At no time during the Merger Docket did the Joint Applicants provide updates to their responses to ICC Staff Data Requests ENG 1.02, ENG 1.03 or ENG 1.04 or to AG Data Request 10.18 reflecting any new AMRP cost estimates.

B. Responses to AG Expert Estimate of AMRP Costs

13. In the AG's Direct Testimony filed on November 20, 2014 in the Merger Docket, the AG's witness, Sebastian Coppola, testified that it was likely that the total cost of the AMRP would exceed \$4.6 billion, as opposed to the \$2.47 billion estimate Peoples provided the Commission in 2009. Merger Docket, AG Ex. 2.0 at 20. Mr. Coppola's \$4.6 billion estimate was calculated using Joint Applicants' estimates of annual AMRP expenditures provided as part of several data request responses.

14. In their rebuttal and surrebuttal testimony, the Joint Applicants witnesses did not challenge Mr. Coppola's calculation, which estimated total costs for the AMRP of \$4.6 billion, nor did PGL reveal the existence of a later, larger AMRP cost estimate. During the evidentiary hearings in the Merger Docket, counsel for the AG, Karen Lusson cross-examined WEC President Allen Leverett on his understanding of the costs of the AMRP:

MS. LUSSON: Let me ask you this: Do you agree that you're the witness that testified about Wisconsin Energy's readiness, willingness and ability to implement Liberty audit findings; is that right?

MR. LEVERETT: Yes. I reviewed the report, the interim report.

MS. LUSSON: Were you aware that the cost of the program, as part of your due diligence review, had escalated from an original estimation of 2.2 billion to over 4 billion?

MR. LEVERETT: Integrys management discussed with us the projected cost of the program.

MS. LUSSON: And what, if you recall, what did they identify the projected costs to be

MR. LEVERETT: I don't recall.

Merger Docket, Tr. at 190-191.

15. On May 5, 2015, Liberty submitted its "Final Report on Phase One of an Investigation of the Peoples Gas Light and Coke Company's AMRP." ("Liberty Phase One Final Report"). That report concluded, among other pertinent findings, that "[t]he AMRP experienced unusually large cost growth across its short history to date. The 2009 estimate of \$2.63 billion grew to \$4.45 billion in a 2012 estimate. The Company [Peoples Gas] has announced no estimate since." Liberty Phase One Final Report, Executive Summary at ES-2 (emphasis added).

C. The Joint Applicants' Response to the Administrative Law Judge's Request for AMRP-Related Information

16. On January 2, 2015, the People and the City of Chicago filed a "Motion to Extend the Schedule" in the Merger Docket in light of the Liberty auditor's upcoming issuance of an Interim Phase One Report related to the state of the AMRP. Staff introduced the Interim Report into evidence and stated that its "purpose in introducing the Interim Audit Report into evidence in this docket is to make clear to the JAs and the Commission the possible scope and scale of the obligations JAs (Joint Applicants) will be undertaking in the event the merger is approved, and to afford the JAs the opportunity to assure themselves as well as Commission that they are ready, willing and able to step into the shoes of Integrys and Peoples Gas and continue to implement the AMRP consistent with the directives in the Commission's Orders in Docket Nos. 09-0166/09-0167 (Cons.) and Docket Nos. 12-0511/12-0512 (Cons.), in light of these obligations." Merger Docket, ICC Staff Ex. 8.0 at 10.

17. In a ruling on the AG/City Motion, the administrative law judge ("ALJ") identified the cost of the AMRP as relevant to the Commission's assessment of the Joint Applicants' ability to satisfy the requirements of Section 7-204 of the Act. Specifically, the ALJ directed the Joint Applicants to file testimony answering the questions of "(1) whether the Joint Applicants are aware of the scope and scale of the potential obligations under AMRP; and (2) whether Joint Applicants are ready, willing and able to implement the AMRP consistent with additional remedies as recommended by the Liberty audit."⁹

18. The Joint Applicants filed Supplemental Rebuttal Testimony and Supplemental Reply Testimony on January 22, 2015 and January 29, 2015, respectively, discussing these issues. *See, gen'ly*, Merger Docket, JA Ex. 12.0; 13.0; 14.0. That testimony promised the

⁹ Merger Docket, ALJ Ruling of January 14, 2015.

Commission that they were “ready, willing and able” to implement the AMRP consistent with the auditors’ recommendations. This testimony, however, included no discussion of an updated AMRP cost figure. The Joint Applicants continued to commit to complete the AMRP by the year 2030, subject to “appropriate cost recovery.” Merger Docket, JA Ex. 15.0 at 9.

19. Any inaccurate statements or omissions by Peoples Gas, Integrys and/or WEC related to the latest AMRP cost estimate deprived the Commission, its Staff, and the parties to the Merger Docket of material information that was directly relevant to the Commission’s consideration of the request to reorganize. For example, if the Joint Applicants *did* know of the estimate back in January, would they have claimed that they were “ready, willing and able” to implement an AMRP that cost \$8 billion, consistent with the recommendations of the Liberty auditors, as they did with no such information in the record? If the Commission had an updated cost figure during the Merger Docket, would it have asked the Joint Applicants how they expected to pay for an \$8 billion program and how customer rates would be impacted? Would the Commission have required, as a condition of merger approval, that the Company retrench on the AMRP? Would the Commission have required, as a condition of merger approval, that the Company detail a rate affordability plan associated with an \$8 billion AMRP? These are questions that the public will never know the answer to.

III. PEOPLES GAS AND INTEGRYS TESTIMONY AT ICC OPEN MEETING ON MAY 20, 2015

20. On May 20, 2015, in the wake of the Liberty Phase One Final Report, the ICC held an Open Meeting to question executives of Integrys and Peoples Gas about the findings included in the report. At that meeting, Commissioner Maye asked Integrys President and Chief Executive Officer Charles Schrock if it was true that Peoples Gas was unable to estimate the cost of the AMRP. Schrock replied that “we have not developed a comprehensive model to provide

that sort of estimate,” but indicated that past estimates had been made using “a different approach.” May 20, 2015 ICC Open Meeting, Tr. at 52:16-22 – 53:1-4.

21. In response to further questioning by Commissioner Maye, expressing her concern that Peoples Gas could not expect ratepayers to trust the utility if it could not estimate the cost of the project or how long it would take to complete, Schrock stated that because changes in regulations and other factors could impact the project in unknown ways over the long term, the company managed the project “...very carefully on the near term, but the longer term view is something at the moment we don’t use in our thinking.” *Id.*, Tr. at 55:10-14.

22. At the same May 20th Open Meeting, Commissioner Rosales questioned Peoples Gas’s President John Kleczynski and Integrys Executive Vice President and Chief Financial Officer James Schott further regarding the availability of AMRP cost estimates. Peoples Gas and Integrys representatives repeatedly stated that a cost model was needed to generate a long-term cost estimate, that the cost model was not yet developed, and that when it was ready Peoples Gas would report back to the Commission:

COMMISSIONER ROSALES: 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. KLECZYNSKI: 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.

Id., Tr. at 56:17- 22; 57:1-3; 57:18-22; 58:1-20.

23. Although the Open Meeting provided Joint Applicants with a live opportunity to disclose the \$8 billion cost estimate directly to the Commissioners, representatives for Peoples Gas and Integrys did not disclose this information.

IV. POST-MERGER REVELATIONS OF AMRP COST ESTIMATES

24. On June 24, 2015, the Commission approved WEC's acquisition of Integrys, and its wholly-owned subsidiaries, Peoples Gas and North Shore Gas, based on the information obtained and included in the record of the merger proceedings. The reorganization was approved subject to a list of 47 conditions, among which was the requirement that Peoples Gas implement all of the Liberty Phase One Final Report's recommendations for the long-term management and operation of the AMRP, including the adoption of a cost-estimation model. Merger Docket, Final Order dated June 24, 2015, Appendix A, at ¶¶ 5, 9, 10.

25. On July 27, 2015, Peoples Gas's newly-appointed President, Charles R. Matthews, delivered a letter to the Commission stating that (notwithstanding the Joint Applicants' prior assurances of due diligence and awareness of AMRP issues) after completion of the reorganization, Peoples Gas presented WEC "for the first time, after the close of the acquisition, with a preliminary cost estimate for the full 20-year AMRP. This projection exceeds \$8 billion." Matthews Letter to ICC Commissioners dated July 27, 2015, Appendix G to this Petition.

26. On September 30, 2015, Liberty submitted its First Quarterly Report for Phase Two of the audit. In that report, Liberty revealed that

In late July, Peoples Gas leadership brought in by WEC acknowledged to Liberty the existence of a “new” AMRP cost estimate. It initially became available within the gas company around January 2015. Although never securing the final management approval, that estimate work indicated a second near-doubling of AMRP costs across the program’s short history. Program costs had been estimated at \$2.6 billion in 2009; they rose to \$4.45 billion in 2012. Those undertaking new estimate work under Integrys management produced a project (sic) of more than \$8 billion around January 2015.

First Quarterly Report at 4.

27. Peoples Gas was required to cooperate with the Commission-ordered audit of the AMRP pursuant to Section 8-102 of the Act. Despite PGL’s obligation to cooperate with the Liberty auditors, the First Quarterly Report suggests that the Joint Applicants withheld the \$8 billion cost estimate for the AMRP from the auditors for six months.

28. Additionally, and in spite of their continuing obligation to do so, at no point did Peoples Gas, Integrys, WEC or any of the other Joint Applicants revise or supplement their responses to discovery requests of the ICC Staff, the AG or other parties to the reorganization proceeding to reveal the January 2015 cost estimates for the AMRP. Nor did Peoples Gas or Integrys disclose the \$8 billion figure in response to direct questions about cost estimates from Commissioners at the May 20th Open Meeting. Instead, Peoples Gas and Integrys representatives withheld that information from the Commission by insisting that no long-term estimate was available. These inaccurate statements or omissions deprived the Commission, its Staff, and parties to the Merger Docket of material information directly relevant to the Commission’s consideration of the proposed reorganization.

V. REQUEST FOR RELIEF

29. The Commission's discretion to assess and impose penalties for misrepresentation and withholding of material information includes consideration of aggravating or mitigating factors as provided in both Sections 5-202.1 and 4-203 of the Act. 220 ILCS 5/5-202.1; 220 ILCS 5/4-203. The Joint Applicants chose to withhold from the Commission material information concerning the projected costs of the AMRP, despite numerous opportunities to reveal that information in discovery and testimony in the Merger Docket and in written and oral exchanges with the Commissioners. Due to the Joint Applicants' deliberate and knowing actions, the Commission, the ICC Staff and the parties to the Merger Docket were wrongly deprived of highly material information during that case, which, had it been available, could have changed the outcome of the Commission's ultimate determination in the Merger Docket, or, at a minimum, the conditions upon which the merger was approved. Ultimately, the protection of the public interest was undermined by Joint Applicants' actions.

30. Now that the merger has been approved, however, should the Commission conclude that violations of the Act occurred, and in order to deter future misrepresentations or withholding of material information, the People urge the Commission to avail itself of the legal authority which the General Assembly has granted to address such wrongdoing. In doing so, the Commission should consider those aggravating factors set forth in Section 5-202.1:

(1) the presence or absence of due diligence on the part of the violator in attempting to comply with the Act – The Commission should consider penalties in light of the Joint Applicants' evasive, incomplete and misleading responses to repeated questioning about the long-term costs of the AMRP, not only from the Commission and its Staff, but from the Attorney General, the City of Chicago, the Citizens Utility Board and the other parties to the Merger Docket as well.

(2) any economic benefits accrued, or expected to be accrued, by the violator because of the misrepresentation – The Commission should consider the fact that besides the obvious financial benefits to the Joint Applicants’ corporate interests, several individuals who testified in the Merger Docket or otherwise communicated with the Commission regarding AMRP costs subsequently obtained substantial economic benefits as a result of that approval.¹⁰

(3) the amount of monetary penalty that will serve to deter further violations by the violator and to otherwise aid in enhancing voluntary compliance with the Act -- Taking into account the enormous value of the merger, estimated at \$9.1 billion¹¹, the impact on the public interest of the actions of public utilities and the need to communicate to public utilities that abuse of the regulatory process will not be tolerated, the Commission should consider imposing the maximum penalty available of \$500,000 for each violation.

The Commission is also authorized, pursuant to Section 4-203 of the Act, to consider “the appropriateness of the penalty to the size of the business of the public utility, corporation other than a public utility, or person acting as a public utility charged, the gravity of the violation [and] such other mitigating or aggravating factors as the Commission may find to exist...”. 220 ILCS 5/4-203.

31. The Commission must regularly make multi-billion dollar decisions that directly affect the lives of Illinois ratepayers, based on the information provided by regulated utilities. Since the relevant data are almost exclusively in the control of the utilities, it is essential that utilities provide accurate and complete information, as the Act explicitly requires. If the Commission fails to act when confronted with evidence of possible omissions or misrepresentations, it could send a dangerous signal to all regulated entities that one way to avoid regulatory consequences is to withhold potentially unfavorable information.

¹⁰ WEC disclosed information on potential change in control payments payable to Integrys’s executive officers upon completion of the reorganization in filings made with the Securities and Exchange Commission. Charles Schrock’s compensation is listed as \$13,114,866 in cash and equities. James Schott’s compensation is shown to be \$3,072,317. Wisconsin Energy Corporation’s Amendment No. 1 to its Form S-4 “*Registration Statement under the Securities Act of 1933*,” dated September 22, 2014.

¹¹ Merger Docket, JA Ex. 1.0 at 12:244-46.

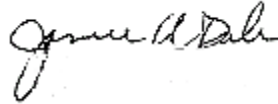
32. The People and CUB urge the Commission to utilize all of the powers granted to it by the General Assembly to enforce Section 5-202.1, in order to address any actions which threaten its regulatory authority. This includes, but is not limited to, the use of its broad subpoena power pursuant to Section 10-101 to obtain materials relevant to the development of the \$8 billion cost estimate referenced in the Liberty Phase Two First Quarterly Report and to determine what individuals had knowledge of that information, as well as other topics deemed relevant to the enforcement of the Act.

WHEREFORE, the People and the Citizens Utility Board request that this Commission initiate a proceeding pursuant to its authority under Section 5-202.1 of the Act to determine whether Peoples Gas, Integrys, or WEC violated the Act by misrepresenting facts to the Commission or its auditors or withholding from the Commission or its auditors material information in its possession regarding the projected costs of its Accelerated Main Replacement Program. Should the Commission determine that Peoples Gas, Integrys, or WEC misrepresented facts or withheld material information from the Commission or its auditors, the People further request that the Commission impose appropriate penalties, up to and including \$500,000 for each violation of Section 5-202.1, in accordance with the provisions of that statute.

Respectfully submitted,

The People of the State of Illinois

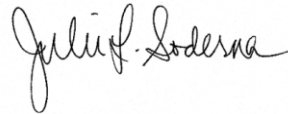
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