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ICC Initiates Formal Investigation of Whether Gas Company Executives Knowingly Misrepresented Facts as to Cost of AMRP

CHICAGO, IL– The Illinois Commerce Commission today initiated a formal proceeding to continue its investigation of whether Peoples Gas, Integrys Energy Group (Integrys) or Wisconsin Energy Company (WEC), or representatives of the companies knowingly misrepresented facts or withheld information from the Commission concerning the estimated long-term cost of the Accelerated Main Replacement Program (AMRP).

“Today’s vote marks another step in the Commission’s ongoing effort to manage and improve the AMRP and calls upon Peoples Gas and WEC to fulfill their duty to provide ratepayers safe and reliable gas infrastructure, as well as the transparency they deserve,” said ICC Chairman Brien Sheahan. “We appreciate Attorney General Madigan’s and the Citizen Utility Board’s advocacy on behalf of Illinois consumers.”

Begun in 2011, the AMRP consists of replacing aging infrastructure in the City of Chicago. The project primarily involves replacing cast iron gas pipes and facilities in the natural gas delivery system with modern polyethylene pipes to reinforce the long term safety and reliability of the Peoples Gas system.

After identifying cost overruns, delayed progress and overall mismanagement of the project, the Commission launched an investigation to resolve problems with the AMRP in June 2013. At that time, the Commission determined it was necessary to hire a third-party, Liberty Consulting Group (Liberty), to audit and accurately identify the problems with the AMRP, as well as provide recommendations for Peoples Gas to continue the program.

During this two phase investigation, Commission Staff has worked closely with Liberty, monitoring Liberty’s progress through bi-weekly correspondence, monthly progress reports, and commenting on drafts of Liberty’s Final Phase One Report. Published by the Commission on May 20, 2015, the report revealed AMRP costs had increased since the first estimates of about \$2.63 billion to a 2012 estimate of about \$4.45 billion, with the conclusion that AMRP costs would continue to significantly increase. Because of inadequate information available from Peoples Gas, Liberty was unable to provide the Commission with a credible estimate of either yearly or total AMRP costs.

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Executives from Integrys and Peoples Gas testified before the Commission on this issue at an Open Meeting held on May 20, 2015. In response to questions regarding the cost of AMRP, company executives stated that current estimates of the project were unknown, and assured the Commission they were still working on a long-term cost model.

On July 27, 2015, following the June 24 approval of the acquisition of Peoples Gas by WEC, Peoples Gas' new President, Charles R. Matthews, stated in a letter to the Chairman and Commissioners that "WEC Energy Group's management [was] provided, 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."

On September 30, 2015, Liberty submitted to the Commission its First Quarterly Report for Phase Two of the AMRP Audit in which it stated the \$8 billion cost estimate became available within Peoples Gas around January 2015. This report prompted the Commission to launch the investigation that ultimately led to today's action.

"Our Commissioners and Staff believe the scope of this investigation is broad enough to ensure all instances of misrepresentations on this matter are properly adjudicated," said Chairman Sheahan. "If the investigation reveals that a representative of Peoples Gas or any other person knowingly misrepresented or omitted material information about AMRP on May 20, 2015, or any other occasion, those incidents will be investigated."

Chairman Sheahan added, "The ICC will continue to aggressively oversee AMRP program reforms, and will ensure that customers do not bear any costs of program mismanagement."

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