

Direct Testimony and Schedule
Brian E. Kage

Before the Minnesota Public Utilities Commission
State of Minnesota

In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to
Increase Rates for Natural Gas Service in Minnesota

Docket No. G011/GR-17-563

Exhibit ____

Improved Customer Experience (“ICE”) Compliance

October 13, 2017

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND QUALIFICATIONS	1
II. ICE PROJECT COMPLIANCE	3
A. Process For Exploring Extension of ICE	4
B. Additional Benefits and Work of ICE Extension	7
III. CONCLUSION.....	11

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Brian E. Kage. My business address is 700 North Adams Street, P.O. Box
4 19001, Green Bay, WI 54307.

5
6 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

7 A. I am the Director – IT Special Projects for WEC Business Support (“WBS”) (formerly
8 Integrys Business Support), and the Project Director for the Improved Customer
9 Experience (“ICE”) project (“ICE Project”). WBS is a subsidiary of the WEC Energy
10 Group, Inc. (“WEC”), which acquired Integrys Energy Group (“Integrys”) (including
11 Integrys Business Support) in June of 2015.

12
13 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

14 A. I graduated from Texas Christian University with a Bachelor of Business Administration
15 Degree in finance. In January 2007, I began my career with Integrys as Value Manager
16 in Corporate Development. In April 2008, I assumed a position as General Manager of
17 Strategy and Business Performance in Customer Relations. In January 2017, I assumed
18 my current position as Director – IT Special Projects. Before working for Integrys and
19 then WEC, I worked for Accenture and Black & Veatch, where I provided services for
20 North American and International utilities in the areas of Customer Operations &
21 Application Strategy, Merger & Acquisitions Value Capture, and Customer Information
22 Systems (“CIS”) implementations.

1 Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?

2 A. I am providing testimony on behalf of Minnesota Energy Resources Corporation
3 (“MERC” or the “Company”).
4

5 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

6 A. In my testimony, I address the Minnesota Public Utilities Commission’s (“Commission”)
7 Order in MERC’s last rate case (Docket No. G011/GR-15-736) to provide an update in
8 the Company’s next rate case as to whether and what extent use of the ICE CIS will be
9 extended to WEC legacy utilities. In this testimony, I provide an update on the current,
10 ongoing decision process for WEC legacy utilities to implement the ICE system and the
11 status of that process. Company witness Ms. Mary Wolter addresses the remainder of the
12 ICE compliance points as ordered by the Commission.
13

14 Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR
15 TESTIMONY IN THIS PROCEEDING?

16 A. Yes, I am. I am sponsoring:

- 17 • Exhibit ___ (BEK-1): ICE Project GANTT Chart.
18

19 Q. WAS THIS EXHIBIT PREPARED BY YOU OR UNDER YOUR DIRECTION AND
20 SUPERVISION?

21 A. Yes, it was prepared by me or under my direct supervision.
22

1 **II. ICE PROJECT COMPLIANCE**

2 Q. PLEASE DESCRIBE THE ICE PROJECT.

3 A. In January 2016, the ICE Project was implemented as a standard process architecture and
4 technology CIS platform for MERC and other legacy Integrys utilities. This
5 implementation resulted in a single CIS across these utilities, moving all of the legacy
6 Integrys utilities to the latest update of Open-CIS (“Open C”), version 4.0. The new CIS
7 is now used by all of these utilities to handle billing, credit, and collections. The ICE
8 Project also replaced and standardized these utilities’ telephony systems (including
9 Interactive Voice Response (“IVR”)), as well as the web-based self-service options for
10 customers.

11
12 Q. WHAT IS THE CURRENT STATUS OF THE ICE IMPLEMENTATION?

13 A. The ICE platform was implemented for several legacy (pre-merger) Integrys utilities in
14 2016, including MERC, Michigan Gas Utilities Corporation (“MGU”), and Wisconsin
15 Public Service Corporation (“WPS”). As discussed in MERC’s last rate case (Docket
16 No. G011/GR-15-736), it took about a year to stabilize those platforms. Further, the
17 Company implemented ICE for The Peoples Gas Light & Coke Company and North
18 Shore Gas Company in April of 2017. These platforms are currently in the stabilization
19 phase, and will remain so through sometime in 2018.

20

1 **A. Process For Exploring Extension of ICE**

2 Q. DID THE COMPANY CONSIDER INCLUDING THE WEC LEGACY UTILITIES IN
3 THE ICE ROLL-OUT AT THE TIME OF MERC IMPLEMENTATION?

4 A. No; because the ICE Project was in development well before the 2015 merger of WEC
5 and Integrys, with planned implementation in late 2015 to early 2016, it was not at all
6 realistic to consider rolling ICE out to the WEC legacy utilities at that time. The ICE
7 Project was originally driven by the age of existing systems at the legacy Integrys
8 utilities, before the WEC legacy utilities were a planned merger partner. Further,
9 substantial work and development would be required to make ICE feasible for other
10 utilities, including the determination of the prudence, cost, and timing of replacing WEC
11 legacy utilities' existing systems. In short, the ICE Project was developed for the
12 Integrys utilities based on their individual needs, well before the merger occurred.

13
14 Q. WHAT ISSUE WAS RAISED IN THE COMPANY'S LAST RATE CASE WITH
15 RESPECT TO POTENTIAL EXTENSION OF THE ICE PLATFORM TO WEC
16 LEGACY UTILITIES?

17 A. In the Company's last rate case (Docket No. G011/GR-15-736), the Department raised
18 concerns that MERC might transition legacy WEC utilities to the ICE platform between
19 rate cases or after MERC's ratepayers have paid all or most of the costs for the ICE
20 system through rates.¹ However, at the time of MERC's last rate case there were no
21 particular plans to extend ICE to the WEC legacy utilities, and the Company provided

¹ *In the Matter of the Application of Minn. Energy Res. Corp. for Auth. to Increase Nat. Gas Serv. in Minn.*, Docket No. G011/GR-15-736, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 17 (Oct. 31, 2016).

1 testimony explaining that doing so would be complex and require several years to design
2 and implement for the needs of these additional utilities.²

3
4 Q. WAS MERC THE FIRST UTILITY FOR WHICH OPEN C (THE ICE PLATFORM)
5 WAS IMPLEMENTED?

6 A. No. WPS and Upper Peninsula Power Company (“UppCo”) implemented Open C in
7 October 2005 and utilized the application for their operations until January 2016, when
8 they were upgraded to the newer version of Open C. MERC benefitted from the earlier
9 WPS/UppCo investment because the ICE Project was able to leverage existing internal
10 expertise in the Open C product during the project and the stabilization of operations after
11 the implementation of the project. In addition, the basics of the solution such as core
12 configuration, batch execution flow, base technical environments, core interfaces, and
13 database structures had an advanced starting point compared to starting the project from
14 scratch. However, MERC is not being charged costs from these earlier implementations.

15
16 Q. HAS A PROCESS BEEN IMPLEMENTED TO EXPLORE THE POSSIBILITY OF
17 ROLLING ICE OUT TO WEC LEGACY UTILITIES?

18 A. Yes. During the third quarter of 2017, a team was formed to analyze whether and to what
19 extent it is feasible to move the We Energies utilities over to the ICE platform. WEC’s
20 Board of Directors is expecting to vote on feasibility at its December 2017 Board of
21 Directors meeting.

² *Id.*

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Q. AT WHAT POINT WOULD A DECISION BE MADE WHETHER TO ROLL OUT ICE TO LEGACY WEC UTILITIES?

A. It is difficult to predict an exact timeframe for the ultimate decision whether to design a roll out of ICE to the legacy WEC utilities since the decision makers may require the team to complete additional iterations or answer additional questions before approving the project. Right now, the Company’s best projection of a timeframe for a decision would be the first or second quarter of 2018.

Q. DOES THIS MEAN WEC WILL DEFINITELY ROLL OUT ICE TO WEC LEGACY UTILITIES?

A. No. While we might then have a decision to proceed, this does not mean that WEC will assume no further reviews or changes are needed. Rather, the decision will have to be reviewed several times along the lengthy development, design, and implementation processes to make sure the project is still prudent and cost-effective.

Even if WEC determines it will move forward with new CISs resembling ICE for WEC legacy utilities, the specific design for the WEC utilities is expected to require additional research and design efforts, as illustrated in Exhibit ____ (BEK-1) to my Direct Testimony. The design work is not anticipated to be complete until approximately the middle of 2019. The project itself would not be actually implemented until 2020 or 2021, at the earliest. Meanwhile, MERC customers will continue to receive the full benefit of

1 the ICE system as it was implemented in early 2016, and the value of the ICE system to
2 future customers will continue over the life of the system.

3
4 Q. WHY WOULD THAT LENGTH OF TIME BE NECESSARY TO DEVELOP AND
5 IMPLEMENT ICE FOR OTHER UTILITIES?

6 A. As I explain later in my testimony, the project will encompass at least eight key areas of
7 effort. This will be a significant investment of time and effort even if it were possible to
8 convert the utilities with minimal system changes and system interfaces.

9
10 **B. Additional Benefits and Work of ICE Extension**

11 Q. HAS THE COMPANY FULLY PRICED OUT THE BENEFITS, SAVINGS, AND/OR
12 COSTS OF THE WORK OF EXTENDING ICE TO OTHER UTILITIES?

13 A. No. The high level effort currently underway will develop business case level numbers,
14 while the mobilization and design phases will flush those numbers out in more detail. At
15 this time, the Company has a general sense of the work and costs needed to implement
16 ICE at other utilities.

17
18 Q. WHAT ADDITIONAL WORK AND COST MAY BE NEEDED TO EXTEND AN ICE
19 CIS TO WEC LEGACY UTILITIES?

20 A. There are eight key areas of costs that could be required to implement the ICE solution
21 for the We Energies utilities.

- 22 • Convert data from We Energies legacy systems to Open C format;
- 23 • Implement rate structures applicable to We Energies;

- 1 • Reconcile and implement self service functions across IVR, web, and call
2 center;
- 3 • Reconcile and implement mobile dispatch systems;
- 4 • Implement unique interfaces for We Energies;
- 5 • Purchase hardware and software to double the number of meters in the
6 system from 2.2 million to 4.5 million and tune the system to run at that
7 scale;
- 8 • Implement additional features to the system based on existing We
9 Energies and/or best practice processes; and
- 10 • Test the overall solution for We Energies utilities and deploy the ICE
11 solution to the We Energies employees and customers.

12

13 The full scope of work is not known at this time; rather, WEC anticipates the
14 project scope will be known only if and when a design phase is complete, which
15 is currently estimated to be in 2019.

16

17 Q. WILL IT ALSO BE NECESSARY TO UNDERTAKE ADDITIONAL WORK
18 ACROSS ALL UTILITIES THAT USE ICE IN ORDER TO FACILITATE
19 BROADER IMPLEMENTATION?

20 A. Probably yes. It is expected that extending the project to other utilities would also
21 provide additional features and functions that will benefit the utilities currently on
22 the ICE Customer Platform. Over the timeline of the project, these features and

1 functions will be implemented to the ICE Customer Platform to the benefit of
2 MERC and the other utilities on the platform. Once the design phase is complete,
3 the schedule of those features and functions will be better understood by the team.
4

5 Q. IS THE POTENTIAL FOR ADDITIONAL FUNCTIONALITIES SPECIFIC TO THE
6 ROLL-OUT OF ICE TO ADDITIONAL UTILITIES?

7 A. No. Information technology platforms that are central to utility operations, such as ICE,
8 are subject to regular upgrades, security improvements, and additional functionalities.
9 For example, an ICE release and upgrade was implemented in April of 2017, and
10 additional functional/technical improvements were made to the virtual desktop
11 environment, call center reporting, credit/collections, and service order processing.
12 Additionally, the IVR was upgraded to the latest release. The long term mobile dispatch
13 system (PCAD) was also implemented for other utilities, which will eventually be
14 utilized by MERC as its mobile dispatch system reaches its end of life. Additional
15 releases and upgrades are likely to occur regularly for a variety of reasons across the
16 utilities in the current WEC family, both before and after any roll-out of ICE to legacy
17 WEC utilities.
18

19 Q. WERE THERE BENEFITS TO MERC AND OTHER LEGACY INTEGRYS
20 UTILITIES FROM IMPLEMENTING ICE FIRST, WHICH LEGACY WEC
21 UTILITIES WILL NOT RECEIVE?

22 A. Yes, there are several.
23

1 First, the legacy Integrys utilities, including MERC, have been able to utilize the ICE
2 platform at least four to five years earlier than the legacy We Energies utilities. Overall,
3 MERC customers will have had a fully updated, more secure, and more functional
4 customer service system for four to five years longer than legacy WEC utilities will have.
5

6 Second, MERC had a particularly high need for a new system due to the age of its prior
7 system, and the benefits of moving MERC to ICE first corresponded to this need.

8 Utilities who do not have such an urgent need to move to a new system will not share
9 those benefits. Through ICE, MERC and MGU were able to move to a long-term
10 sustainable CIS platform from a much older CIS platform that was being utilized under
11 the Vertex outsourcing contract.
12

13 Third, the ICE system brought functionality to MERC customers that other WEC legacy
14 utilities already have but MERC customers did not – such as data masking for sensitive
15 customer data, additional fraud detections when applying for service, additional usage
16 comparison tools, more web and IVR self service functions, and additional back-up call
17 center options during high call volume time periods or disaster recovery situations.
18

19 Finally, the changes to expand the ICE Solution to accommodate We Energies will likely
20 extend the life of portions of the ICE system by a few years. The architectural changes to
21 the batch and online processes, which will be implemented in the 2020/2021 timeframe,
22 will make the system more efficient as it will need to be tuned to work for seven utilities

1 with approximately 4.5 million metered services. This efficiency of the batch and online
2 processes will allow the possibility of utilizing the solution a few years beyond 2031.

3
4 Q. WHAT DO YOU CONCLUDE FROM THIS DISCUSSION WITH RESPECT TO THE
5 ASSESSMENT OF WHETHER OTHER UTILITIES SHOULD REIMBURSE ANY
6 PORTION OF THE WORK CONDUCTED TO IMPLEMENT ICE AT MERC?

7 A. We will know significantly more about any benefits and costs to MERC when we have
8 assessed and more fully designed a potential roll-out of ICE to legacy WEC utilities. My
9 experience, however, is that there are both benefits and costs to getting a new information
10 technology system earlier than other sister utilities. In general, a new CIS platform was
11 first developed for the legacy Integrys utilities not only because the project was pre-
12 merger, but also because the legacy Integrys utilities (and particularly MERC) had a
13 significant need for the ICE Project. As such, it is too early to say that other utilities will
14 experience a material net benefit from adopting ICE later.

15
16 **III. CONCLUSION**

17 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON THE STATUS OF THE
18 ICE PROJECT ROLL-OUT DECISION PROCESS IN COMPLIANCE WITH THE
19 COMMISSION'S ORDER IN DOCKET NO. G011/GR-15-736?

20 A. Yes, it does.



ICE R3 Program Overview: Where are we going?

