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

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. INTRODUCTION AND QUALIFICATIONS</td>
<td>1</td>
</tr>
<tr>
<td>II. ICE PROJECT COMPLIANCE</td>
<td>3</td>
</tr>
<tr>
<td>A. Process For Exploring Extension of ICE</td>
<td>4</td>
</tr>
<tr>
<td>B. Additional Benefits and Work of ICE Extension</td>
<td>7</td>
</tr>
<tr>
<td>III. CONCLUSION</td>
<td>11</td>
</tr>
</tbody>
</table>
I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
A. My name is Brian E. Kage. My business address is 700 North Adams Street, P.O. Box 19001, Green Bay, WI 54307.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?
A. I am the Director – IT Special Projects for WEC Business Support (“WBS”) (formerly Integrys Business Support), and the Project Director for the Improved Customer Experience (“ICE”) project (“ICE Project”). WBS is a subsidiary of the WEC Energy Group, Inc. (“WEC”), which acquired Integrys Energy Group (“Integrys”) (including Integrys Business Support) in June of 2015.

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.
Q. FOR WHOM ARE YOU PROVIDING TESTIMONY?
A. I am providing testimony on behalf of Minnesota Energy Resources Corporation ("MERC" or the "Company").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?
A. In my testimony, I address the Minnesota Public Utilities Commission’s ("Commission") Order in MERC’s last rate case (Docket No. G011/GR-15-736) to provide an update in the Company’s next rate case as to whether and what extent use of the ICE CIS will be extended to WEC legacy utilities. In this testimony, I provide an update on the current, ongoing decision process for WEC legacy utilities to implement the ICE system and the status of that process. Company witness Ms. Mary Wolter addresses the remainder of the ICE compliance points as ordered by the Commission.

Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY IN THIS PROCEEDING?
A. Yes, I am. I am sponsoring:
   • Exhibit ___ (BEK-1): ICE Project GANTT Chart.

Q. WAS THIS EXHIBIT PREPARED BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION?
A. Yes, it was prepared by me or under my direct supervision.
II. ICE PROJECT COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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

\(^2\) *Id.*
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
the ICE system as it was implemented in early 2016, and the value of the ICE system to future customers will continue over the life of the system.

Q. WHY WOULD THAT LENGTH OF TIME BE NECESSARY TO DEVELOP AND IMPLEMENT ICE FOR OTHER UTILITIES?
A. As I explain later in my testimony, the project will encompass at least eight key areas of effort. This will be a significant investment of time and effort even if it were possible to convert the utilities with minimal system changes and system interfaces.

B. Additional Benefits and Work of ICE Extension

Q. HAS THE COMPANY FULLY PRICED OUT THE BENEFITS, SAVINGS, AND/OR COSTS OF THE WORK OF EXTENDING ICE TO OTHER UTILITIES?
A. No. The high level effort currently underway will develop business case level numbers, while the mobilization and design phases will flush those numbers out in more detail. At this time, the Company has a general sense of the work and costs needed to implement ICE at other utilities.

Q. WHAT ADDITIONAL WORK AND COST MAY BE NEEDED TO EXTEND AN ICE CIS TO WEC LEGACY UTILITIES?
A. There are eight key areas of costs that could be required to implement the ICE solution for the We Energies utilities.

- Convert data from We Energies legacy systems to Open C format;
- Implement rate structures applicable to We Energies;
• Reconcile and implement self service functions across IVR, web, and call
  center;
• Reconcile and implement mobile dispatch systems;
• Implement unique interfaces for We Energies;
• Purchase hardware and software to double the number of meters in the
  system from 2.2 million to 4.5 million and tune the system to run at that
  scale;
• Implement additional features to the system based on existing We
  Energies and/or best practice processes; and
• Test the overall solution for We Energies utilities and deploy the ICE
  solution to the We Energies employees and customers.

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

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

A. Probably yes. It is expected that extending the project to other utilities would also
provide additional features and functions that will benefit the utilities currently on
the ICE Customer Platform. Over the timeline of the project, these features and
functions will be implemented to the ICE Customer Platform to the benefit of
MERC and the other utilities on the platform. Once the design phase is complete,
the schedule of those features and functions will be better understood by the team.

Q. IS THE POTENTIAL FOR ADDITIONAL FUNCTIONALITIES SPECIFIC TO THE
ROLL-OUT OF ICE TO ADDITIONAL UTILITIES?
A. No. Information technology platforms that are central to utility operations, such as ICE,
are subject to regular upgrades, security improvements, and additional functionalities.
For example, an ICE release and upgrade was implemented in April of 2017, and
additional functional/technical improvements were made to the virtual desktop
environment, call center reporting, credit/collections, and service order processing.
Additionally, the IVR was upgraded to the latest release. The long term mobile dispatch
system (PCAD) was also implemented for other utilities, which will eventually be
utilized by MERC as its mobile dispatch system reaches its end of life. Additional
releases and upgrades are likely to occur regularly for a variety of reasons across the
utilities in the current WEC family, both before and after any roll-out of ICE to legacy
WEC utilities.

Q. WERE THERE BENEFITS TO MERC AND OTHER LEGACY INTEGRYS
UTILITIES FROM IMPLEMENTING ICE FIRST, WHICH LEGACY WEC
UTILITIES WILL NOT RECEIVE?
A. Yes, there are several.
First, the legacy Integrys utilities, including MERC, have been able to utilize the ICE platform at least four to five years earlier than the legacy We Energies utilities. Overall, MERC customers will have had a fully updated, more secure, and more functional customer service system for four to five years longer than legacy WEC utilities will have.

Second, MERC had a particularly high need for a new system due to the age of its prior system, and the benefits of moving MERC to ICE first corresponded to this need. Utilities who do not have such an urgent need to move to a new system will not share those benefits. Through ICE, MERC and MGU were able to move to a long-term sustainable CIS platform from a much older CIS platform that was being utilized under the Vertex outsourcing contract.

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

Finally, the changes to expand the ICE Solution to accommodate We Energies will likely extend the life of portions of the ICE system by a few years. The architectural changes to the batch and online processes, which will be implemented in the 2020/2021 timeframe, will make the system more efficient as it will need to be tuned to work for seven utilities.
with approximately 4.5 million metered services. This efficiency of the batch and online processes will allow the possibility of utilizing the solution a few years beyond 2031.

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

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

III. CONCLUSION

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

A. Yes, it does.
ICE R3 Program Overview: Where are we going?

**Phase 0: Readiness**
- Q3/Q4 2017
- ICE R3 Guiding Principles / BPO Governance
- Organizational Structure Execution
- Business Case Development

**Phase 1: Mobilization**
- Q4 2017/Q1 2018
- Business Process Evaluation and Design
- Team / Functional Readiness Establishment
- Org. Enablement Activities and Planning
- Customer Experience & Business Impact Assessment

**Business Requirements Design**
- Q2/Q3 2018

**Design**
- 2018/2019
- Data Conversion
- Capability Release 1
- Capability Release 2
- Capability Release 3

**Build**
- 2019
- Functional Integration Testing (FIT)
- Capability Release 2

**Test**
- 2019/2020
- Organizational Readiness Testing (ORT)
- Capability Release 3
- User Acceptance Testing (UAT)

**We Energies Cut-Over**
- Q4 2020
- Stabilization
- Support Center Activities

**What does the organization need to do to prepare?**
- How & when do we get to future state?
- How much will it cost to get there?
- What are the benefits? What will success look like?

**What are our to-be business processes?**
- What needs to change in terms of process, people, and technology to support those processes?
- How will we impact our customers’ experience?

**Does what we designed/built meet the requirements?**
- How does the new way of doing things compare to current?
- Can we communicate appropriately with 3rd parties?
- Is the data ready to convert?

**Are we ready to move to the new way of doing business?**