



## Controversial gas billing system OK'd

By Anna Marie Kukec | Daily Herald Staff

Published: 2/6/2008 1:13 AM

The Illinois Commerce Commission on Tuesday approved a controversial plan on how Chicago consumers will be billed for the delivery of natural gas, a decision hailed by utilities but condemned by consumer advocates.

The new four-year pilot program, referred to as "decoupling," was proposed by Peoples Gas for its Chicago customers and would use a benchmarking procedure based on natural gas usage year round. Naperville-based Nicor Gas now will consider decoupling for its suburban customers.

"As we have stated, we are supportive of the decoupling and are pleased the ICC is allowing an Illinois utility to pursue it on a pilot basis," said Nicor spokeswoman Annette Martinez.

The commission's decision is a "double whammy" for consumers who already face high heating bills, and the Citizens Utility Board plans to appeal the decision, said the board's executive director, David Kolata.

"First they (consumers) get hit with a big rate hike," Kolata said in a statement. "Then, if they try to save money through conservation, they will be penalized with higher usage charges. All parties in the case -- CUB, the attorney general's office, the city of Chicago, and even the ICC's own staff -- concluded that this plan was unfair and illegal. But the ICC ignored those findings and sided with the company."

Peoples Gas and sister company North Shore Gas proposed decoupling as part of its overall rate-increase proposal. The decoupling offers a credit when it's colder, even if a customer uses more gas than the benchmark. But it also would levy a charge when it's warmer and customers use less gas than the benchmark.

"We want to stress that customers won't pay for gas they do not use," Peoples spokesman Rod Sierra said. "They are not being penalized."

Under current billing procedures, for example, if a customer's January bill is \$150, then \$120 is the price of the natural gas and taxes. The remaining \$30 is the charge to deliver that gas. If the customer conserves energy and reduces usage by 10 percent, they would save \$12 on the gas and taxes and \$3 on the delivery.

Under decoupling, the customer would be charged half of that delivery savings, or \$1.50 instead of the \$3.

"This will help us recover what we spend on running our system," Sierra said.

The commission said it plans to put some safeguards in place regarding the decoupling charges and collections. It has ordered an annual review of the financial impact of the program to ensure utilities earn no more than what is allowed.

Commission Chairman Charles Box said the decoupling issue was a difficult decision but the commission believed it must allocate a stable revenue source for the companies' fixed delivery costs.

"It is important to note that the revenue stabilization does not apply to the natural gas itself but to the pipes and other costs and facilities that are necessary to deliver the gas," said Box. "Utilities will only be collecting the revenue we have determined is necessary to provide reliable delivery of gas to customers."

Decoupling was part of an overall rate increase proposal approved for Peoples and North Shore Gas. Peoples Gas will receive about \$71 million, an 18 percent increase in new revenue, compared to \$102.5 million it originally requested. North Shore's request for \$6 million in new revenue was reduced about \$213,000.