



CITIZENS UTILITY BOARD

Fighting for Illinois Consumers

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CUB FIGHTS FOR 41% CUT IN NICOR GAS RATE HIKE

Nicor Gas' \$208.5 million rate-hike request—which would be the largest gas increase in Illinois history—should be slashed by at least 41 percent, or \$85.7 million, mainly because the company is seeking a bloated profit rate for its shareholders, according to testimony filed this week by the Citizens Utility Board (CUB).

“Our expert testimony reveals what we suspected—that Nicor's rate hike is excessive and should be slashed,” CUB Executive Director David Kolata said Friday. “All utility companies need resources to provide adequate service, but that doesn't entitle them to exorbitant rate hikes they don't need or deserve.”

In March, Nicor asked for a \$208.5 million rate hike—the largest request CUB had ever seen in its three-decade history. The utility, whose parent, Southern Company, made more than \$2 billion in profits in 2016, said its 8.3 percent hike would increase bills for the typical residential customer by about \$4.79 a month, or \$57 a year.

CUB and the group Illinois Industrial Energy Consumers commissioned an expert analysis of Nicor's rate-hike proposal. The testimony was written by Michael Gorman, an expert from Brubaker & Associates, Inc., a Missouri-based consulting firm that specializes in utility regulation. Gorman uncovered two main areas of concern:

Return on Equity. Nicor is asking for an excessive “Return on Equity” (ROE)—or profit rate for shareholders—of 10.7 percent. Gorman instead recommended a more reasonable 9.15 percent ROE, which would reduce the rate hike by \$67.6 million.

Incentive compensation. Gorman recommended reducing the amount that Nicor wanted to recover for employee bonuses, reducing the proposed increase by about \$10.1 million.

Other accounting recommendations amounted to about \$8 million, leading consumer advocates to recommend reducing the rate hike by at least \$85.7 million. The Illinois Attorney General's office also is reviewing the case, and CUB hopes to support any additional reductions the office uncovers.

The testimony was filed late Wednesday with the Illinois Commerce Commission (ICC), which will rule on Nicor's request in early 2018, after an 11-month case. The hike would increase delivery rates, which take up about a third to a half of gas bills. That's what Nicor charges to cover the costs of delivering gas to customer homes, plus a profit.

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Even customers who pay an alternative gas supplier still pay Nicor's delivery charges. So customers should beware of any sales representative who says they can avoid the rate hike by going with an unregulated supplier. All customers would pay these higher rates.

CUB is Illinois' leading nonprofit utility watchdog. Created by the Illinois Legislature, CUB opened its doors in 1984 to represent the interests of residential and small-business utility customers. Since then, it has saved consumers more than \$20 billion by helping to block rate hikes and secure refunds. For more information, call CUB's Consumer Hotline, 1-800-669-5556, or visit its award-winning website, www.CitizensUtilityBoard.org.

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