



CITIZENS UTILITY BOARD

Fighting for Illinois Consumers

For Immediate Release
Wednesday, Feb. 21, 2018

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STATEMENT BY CUB EXECUTIVE DIRECTOR DAVID KOLATA ON REFUND FOR PEOPLES GAS CUSTOMERS

CUB is pleased that Peoples Gas customers will get a refund connected to the utility's mismanaged pipe-replacement program. This settlement is a positive outcome concerning questions over the company's spending on pipe replacement in 2014, but CUB has serious, ongoing concerns that this program will become a severe hardship for many Chicago gas customers. We will continue to push for refunds of imprudent spending and fight to reform the program.

Background:

-On Feb. 13, 2018, Peoples Gas, the Illinois Commerce Commission (ICC), Illinois Attorney General Lisa Madigan's office, the City of Chicago and the Citizens Utility Board (CUB) reached a settlement concerning 2014 spending in the Peoples Gas pipeline-replacement project, also called the System Modernization Program (SMP). The settlement was formally approved on Tuesday, Feb. 20.

-The settlement includes:

- A \$5.4 million "rate base disallowance," which means an automatic reduction in the next rate hike Peoples Gas proposes.
- A \$177,000 reduction in the special surcharge that helps pay for the pipe-replacement program as well as a \$2.3 million one-time credit on gas bills. The settlement also calls for a \$2.3 million fund to reconnect low-income customers or help those in danger of disconnection.
- The one-time credit—reportedly about \$2.57 per customer— will be labeled as "2014 SMP Adjustment" on gas bills, and will be accompanied with this message: "This bill reflects a credit from an agreed-upon settlement between Peoples Gas and the Illinois Commerce Commission, Illinois Attorney General, Citizens Utility Board and City of Chicago regarding the Peoples Gas System Modernization Program."

-In 2009, the ICC approved a Peoples Gas plan to replace 2,000 miles of aging cast iron gas mains with leak-proof plastic by 2030. Chicagoans pay for the SMP through their gas bills.

-The program has faced criticism from CUB, the Illinois Attorney General's office, whistleblowers and an ICC-ordered audit that showed the program has been mismanaged and wasteful. The company eventually admitted that customers could be on the hook for \$8-\$10 billion to pay for this program—several times the original cost estimate of \$2.6 billion.

-In January, the ICC approved a three-year plan that has Peoples Gas spending \$900 million, or about \$300 million per year. The Commission also approved an end date of 2035-2040, which requires Peoples Gas to continue spending at that pace to replace the aging gas mains under the city by 2040. At that spending level, Illinois Attorney General Lisa Madigan has said that gas bills could double.

-Consumer advocates have been monitoring costs yearly to identify wasteful spending and possibly seek refunds.

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

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