



FOR IMMEDIATE RELEASE:
Feb. 26, 2018

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PROPOSED STATE LAW AIMS TO QUASH SPENDING ABUSES BY PEOPLES GAS IN BLOATED PIPE-REPLACEMENT PROGRAM

**With Chicago Heating Bills Estimated to Double by 2036,
Advocates Urge Lawmakers to Intervene and Pass Reform**

A new bill pending in the Illinois General Assembly would eliminate the mechanism Peoples Gas has used to bankroll a pipe-replacement program widely decried for its rampantly escalating cost estimates and chronic waste and mismanagement.

The proposed measure, championed by AARP Illinois, the Citizens Utility Board (CUB), and Illinois PIRG, would end the special financing mechanism, known as a “rider,” that appears as a surcharge on customer bills. Consumer advocates argue that Peoples has exploited the rider as if it were a blank check, leaving consumers—particularly those earning low or fixed incomes—vulnerable to potentially crippling cost increases.

The consumer groups urged Chicago residents to voice their support for the legislation by using an AARP Illinois hotline—**1-844-220-5552**—that connects directly to their state representative. CUB also set up a webpage, **CUBActionCenter.com**, where Chicago residents can get background on the legislation and email lawmakers.

A 2015 audit ordered by the Illinois Commerce Commission (ICC) uncovered significant management problems and a dramatic increase in costs, and it discovered that gas leaks had increased rather than decreased over the course of the program. The projected price tag of the program has exploded from \$2.6 billion in 2009 to estimates as high as \$10.9 billion, and an analysis by Illinois Attorney General Lisa Madigan predicts that by 2036 gas bills could double for Chicagoans, who already pay some of the highest rates in the Midwest.

The rider was passed by the General Assembly in 2013. The new proposed legislation, House Bill 4898, sponsored by Rep. Will Guzzardi, of Chicago, would repeal the rider upon becoming law and subject Peoples’ spending on the program to traditional regulatory oversight where the utility would face more robust scrutiny from the ICC.

"Too many of my constituents, and people across Chicago, are seeing their gas bills soaring as a result of this rider," Rep. Guzzardi said. "We all believe that modernizing the gas mains is an important goal. We just think it's time to end the blank check — if Peoples needs to raise rates to pay for the program, they should do it through the normal rate review process."

“Older individuals living on fixed incomes and working families are being particularly and negatively affected by endlessly higher heating bills caused by Peoples Gas’ rider,” said AARP Illinois State Director Bob Gallo. “Once again, we stand with consumer advocates such as the Citizens Utility Board and the Illinois PIRG to fight for Chicago consumers. We commend State Representative Guzzardi for his leadership on this issue. We have set up a toll free number, **1-844-220-5552**, and we urge consumers to call this number to get connected to their State Representative and urge them to support House Bill 4898.”

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“The unnecessarily high levels and fast pace of Peoples Gas spending on their pipe replacement program will lead to dramatic increases in customer bills without delivering additional public safety or improved service,” said Illinois PIRG Director Abe Scarr. “We call on the Illinois General Assembly to restore necessary oversight of this troubled program.”

“The pipe replacement program is supposed to enhance public safety, and everyone supports that goal—but we need to be safe with the public’s money too,” CUB Executive Director David Kolata said. “The current system sets the stage for a financial disaster for Chicago gas customers. This legislation allows for Peoples Gas to improve the safety of our gas mains, while protecting consumers against undue financial harm.”

Peoples Gas first proposed its “System Modernization Plan” in 2009, and the program is slated to last until 2035-2040, replacing nearly 2,000 miles of cast iron gas mains with plastic pipes that are less prone to leaks. In January, the ICC approved a three-year plan in which Peoples Gas intends to spend about \$300 million annually.

Despite the utility’s claims of improving safety, the 2015 ICC-ordered audit found that leaks had actually increased under Peoples’ management of the project. Additionally, a 2017 analysis by Crain’s Chicago Business found that Peoples’ per-mile cost for pipe replacement is now double the inflation-adjusted amount it spent during the 1990s.

Amid these troubling developments, Milwaukee-based WEC Energy Group, the owner of Peoples, reported \$1.2 billion in profits in 2017, partly fueled by a 14 percent increase in its operating earnings in Illinois.

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at <http://states.aarp.org/region/illinois/>.

Illinois PIRG is a consumer group that stands up to powerful interests whenever they threaten our health and safety, our financial security or our right to fully participate in our democratic society. For decades, the group has stood up for consumers, countering the influence of big banks, insurers, chemical manufacturers and other powerful special interests. Learn more at www.illinoispirg.org.

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

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