



# CITIZENS UTILITY BOARD

## Fighting for Illinois Consumers

**FOR IMMEDIATE RELEASE**

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### **PEOPLES GAS CUSTOMERS FACE ONSLAUGHT OF RECORD-BREAKING RATE HIKES UNDER DISPUTED PIPE-REPLACEMENT PROGRAM, REPORT FINDS**

*RECURRING RATE HIKES AT UNPRECEDENTED SCALE FORECAST OVER NEXT 15 YEARS; PIPE-RELATED COSTS WOULD REMAIN ON HEATING BILLS FOR MORE THAN 7 DECADES*

A controversial proposal by Peoples Gas to continue overhauling its network of underground pipes would leave Chicagoans inundated by recurring rounds of record-breaking rate hikes over the next 15 years, a landmark report released Tuesday found.

Meanwhile Peoples customers would continue to incur charges associated with the pipe-replacement program for another 75 years – or more than six decades after the utility currently estimates it will finish revamping its system of gas mains, according to the report. (The study can be found at [PeoplesGasBoondoggle.org](https://PeoplesGasBoondoggle.org).)

The study was conducted by the industry research firm Groundwork Data on behalf of the Citizens Utility Board (CUB). The analysis comes as the Illinois Commerce Commission (ICC) is probing Peoples' management of its program to install new mains throughout its service territory.

"Peoples Gas customers are already suffering, but this report gives grim new details on just how devastating the utility's reckless spending will be on its customers if state regulators don't rein in the utility," CUB Executive Director Sarah Moskowitz said. "We urge state regulators to review these findings and take steps to hold Peoples Gas accountable and put wise safeguards on their spending. The state of Illinois must begin to plan for a thoughtful, managed transition to cleaner, more affordable heat, instead of pouring billions more dollars into a methane gas system that is dirty, expensive and hazardous to the climate."

The report finds that the pipe project – known as the System Modernization Program (SMP) – could inflict unprecedented costs on consumers, beyond the rapid increase in heating bills they have already experienced over the last decade. Those projected impacts include:

- **An unsustainable barrage of rate hikes.** Completion of the SMP would cause rates for the utility's more than 800,000 customers to escalate at an annual rate of nearly 7 percent, or nearly 50 percent higher than the record-setting pace that those fixed monthly heating costs have surged during the past decade. Those seismic increases would show up on customer bills in the form of delivery charges that would double from the current annual average of \$1,206 to \$2,424 by 2040.
- **A 75-year legacy of costs for consumers.** While Peoples currently projects that the SMP could conclude by 2040, the report found that its customers would incur residual costs for financing the project until the year 2100, or another 60 years after the physical work is purportedly finished.
- **Risks of spiraling costs as Peoples Gas sheds customers.** As rate increases attributed to the SMP multiply, and cleaner heating sources compete for market share, Peoples is vulnerable to customer attrition. Those defections would leave a shrinking number of Peoples ratepayers to digest the soaring cost of the SMP, an imbalance that could send costs skyrocketing for those who remain captive to the utility's system. For instance, the researchers estimated that a 2 percent annual decline in the current volume of Peoples customers would cause delivery charges on average bills to soar by 188 percent, to \$3,437 a year, by 2050.

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- **Higher-than-estimated program price tag.** While cost estimates for the entire scope of the SMP have soared exponentially – from \$2 billion at its inception to nearly \$11 billion today – the company’s latest tally still understates the final price tag by a wide margin, the report finds. Indeed, the researchers estimated that Peoples will spend another \$12.8 billion – on top of the sum it has already funneled into the program – just to complete the work that remains unfinished under the SMP.
- **Construction timetable extending a decade beyond current estimates.** Given Peoples Gas' replacement rate of 58 miles of main per year (2018-2023), it is improbable that the SMP will be completed by the projected 2040 end date. At its current pace the program would extend to 2051.
- **Unsubstantiated claims of a cleaner gas future.** Despite Peoples’ prediction that full-scale investment in the SMP will allow it to eventually deliver carbon-free gas that helps to alleviate the effects of climate change, the company has yet to supply any credible evidence demonstrating that these fuels are feasible and cost-effective.

The report emerges just as the SMP reaches a critical crossroads. As of the end of last year, Peoples had completed only 38 percent of the work outlined in the plan, with 1,506 miles of remaining pipe to replace. The project has been paused since an ICC ruling late last year barred Peoples from funneling more money into the SMP, pending a full investigation (ICC Docket No. 24-0081) into the utility’s management of the program.

The ICC subsequently authorized a small portion of the expenditures that Peoples had proposed to address valid safety issues, but the bulk of the spending remains on hold until the review of the SMP concludes early next year. (A Proposed Order—a recommendation by state regulatory judges on how the ICC should rule in January—is due Nov. 25.)

Consumer advocates warn that the report shows that – even as Peoples’ pipe-replacement program has already unleashed widespread financial hardship on Chicago families – the malaise is on the brink of barreling out of control.

Meanwhile, large swaths of Peoples customers are mired in debt to the utility. As of July, about one in five Peoples accounts were more than 30 days overdue on payments, and consumers owed the utility a staggering \$89.4 million in aggregate debt. Families in Black and Brown neighborhoods have withstood the disproportionate share of this hardship.

The ICC is expected to complete its investigation of the Peoples Gas SMP in January.

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**The Citizens Utility Board (CUB)** is celebrating its 40th anniversary as Illinois’ leading nonprofit utility watchdog group. 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 CUB’s award-winning website, [www.CitizensUtilityBoard.org](http://www.CitizensUtilityBoard.org).