Peoples Gas scandal filled with lessons

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It's a fact that many people are cynical about government these days. That's why it's so important to recognize those situations when elected officials truly act in the public interest.

A good example came last week, when Attorney General Lisa Madigan and Chicago Mayor Richard Daley announced a historic $196 million settlement with Peoples Energy.

Under this settlement, consumers will receive a $100 million gas-bill rebate and Peoples will contribute $30 million for weatherization and energy-efficiency programs.

In addition, Peoples Energy will reconnect gas service to nearly 12,000 customers who were disconnected for non-payment, all past due balances (some $52 million) will be waived, and the company will repair their credit reports.

Of course, when the Peoples/Enron scandal that led to this record settlement first emerged over three years ago, it seemed far from a government success story.

You see, the staff of the Illinois Commerce Commission had uncovered strong evidence of wrongdoing in connection with a five-year, $650 million gas-supply contract with Enron Corp., just before the high-flying Texas energy trader collapsed in scandal. But Peoples Energy used its political power at the state agency to cover up the burgeoning scandal.

But everything changed when the Citizens Utility Board received a call from Tom Kennedy and Dave Reardon, two ICC staffers who knew before anyone that the Peoples/Enron relationship had abused the public trust.

Kennedy and Reardon's revelations eventually led CUB to a little-known public database of more than 1.6 million Enron e-mails and documents that had been released by the Federal Energy Regulatory Commission in the wake of its probe into possible market manipulation by Enron during the California energy crisis.

Of course, Peoples first scoffed at our allegations, but the new evidence and charges breathed life into the previously stalled proceedings. Madigan issued subpoenas and Daley lent the city's resources and legal team. And after both the city and the attorney general sued the company for "massive fraud," the pressure eventually became too great for Peoples, and it agreed to the unprecedented refund package — not chump change for a company that makes less than $100 million a year. Yet, the value of the Peoples scandal isn't just monetary. There are several lessons to be learned.

Lesson 1: Politics and the ICC don't (shouldn't) mix. It's no secret that utilities too often use their deep-pocketed political power to get their way at the state agency that is mandated to protect Illinois consumers. Lesson 2: State oversight is a necessity. Remember, FERC's database had all the goods on Peoples Energy, but the federal agency did nothing about it. It took city and state government to get results. I write this column on the day that Illinois' largest electric utility, ComEd, got the green light to buy power through an "auction" system that will open the door for unlimited rate hikes while stripping the ICC of any meaningful oversight to assure that consumers pay a fair price for electricity. Rest assured, CUB will appeal the ICC's vote in favor of the auction.

Lesson 3: To all you cynics out there: Government can work (with a spark from consumer advocates). Just remember that famous saying: "Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has." OK, we didn't quite change the world. But we did help give some much-needed relief to Chicago consumers—and there is a gas utility in Chicago that will think twice before it again tries to bilk its customers.

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