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Chicago Consumers Hit With New People Gas Increase Based on Expected Use 2/19/2008

CHICAGO – For the second time in a year, utilities customers in Chicago will see a rate increase. This time, though, it's not ComEd. Gas bills are going up as well.

In a contentious move that could have consumers paying for gas they might not even use, the Illinois Commerce Commission (ICC) recently approved a \$71 million gas rate hike for Peoples Gas and North Shore Gas. The increase residential and commercial customers accrue on bills will not be for actual gas usage but for expected use.

The initiative, which is called "decoupling," gives the utility the ability to adjust billing statements based on determined revenue from Peoples Gas. Peoples Gas says a rate increase is a result of weather and customer conservation and the company isn't guaranteed to garner a profit.

"They're trying to put the best possible spin on the increase," said Citizens Utility Board (CUB) executive director David Kolata in an interview with *MidwestBusiness.com*. "It's a double whammy for consumers."

In general, Kolata says people are using less gas as a way to conserve energy and thwart the high cost of gas. He says the increase isn't fair for consumers. One issue that's important to Peoples Gas is improved technology of furnaces. In the past, consumers were using machines with 82 percent efficiency to heat their homes.

New furnaces now operate in the 90 percent range for efficiency. Natural gas usage is also sensitive to weather patterns. A cold snap – such as the one occurring in Chicago this winter – will create higher gas consumption by consumers. Gas commodity prices are historically much higher in winter months than summer months.

"Peoples Gas has not had any meaningful energy conservation programs in 20 years," said Environmental Law & Policy Center (ELPC) executive director Howard Learner in an interview with *MidwestBusiness.com*. Learner and the ELPC stepped in when Wisconsin-based WPS Resources and Peoples Gas were in merger talks to create a program for energy conservation.

The result was a \$7.5 million, five-year efficiency program to paid by Peoples Gas. Legal Action Kolata says CUB will file for a hearing with the ICC to reverse the decision. If the case is lost, steps will be taken to file with an appellate court. That said, he thinks there is a "good chance" for a win in court. He added: "The ICC doesn't have the authority to do this."

A judge in the case for the Peoples Gas rate hike recommended a lower increase than was approved by the ICC. Kolata added: "We are very disappointed with the decision." ICC employees and CUB have both argued against the rate increase.

Peoples Gas said in a statement that the new rates are expected to go into effect on Feb. 14 and Chicago residents can expect to pay \$6 to \$7 more per billing statement. This is the first rate increase for Illinois gas consumers since 1995. The increase will produce an almost 8 percent profit increase for the Chicago-based gas utility's parent company (Integrus Energy Group).

Integrus reported an increase of \$3 million in earnings for the third quarter of 2007 as compared with the previous year's quarterly earnings. Integrus stock closed 1.21 percent higher in next-day trading following the rate increase approval. The ICC also approved a 10.19 percent return on Integrus' equity.

"Wall Street looks favorably on this," said Kolata, adding that this is a way for Integrus to "fatten its bottom line".

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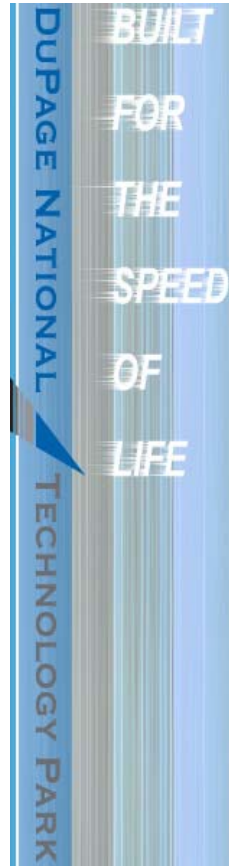
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