



Critics fight Peoples, North Shore gas hikes

By Lorene Yue
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(Crain's) — The Illinois Commerce Commission's staff has recommended that the state agency approve a fraction of the utility rate hike that two local natural gas providers are seeking.

A group of accountants, financial analysts and economists working for the ICC reviewed a \$161.9-million rate-hike request from People Gas, an amount that would tack an extra \$12 onto customers' monthly bills, and found that only a \$36-million increase was warranted. North Shore Gas' request for a \$21.9-million rate-increase was cut down to \$10 million by the ICC's staff.

Staff members made "lots of little adjustments to their proposal" after determining several estimated expense items that the gas utilities submitted were "too high," according to an ICC spokeswoman.

The ICC staff submitted its recommendation Wednesday. At the same time, the Citizens Utility Board, the city of Chicago and the Illinois attorney general's office filed a joint statement that said Peoples Gas should be granted, at most, permission to raise rates by \$48.3 million and North Shore by \$10.9 million. CUB, the city of Chicago and the attorney general's office claim that both utilities, which are owned by Chicago-based Integrys Energy Group Inc., inflated operating expenses to justify their rate-increase request amounts.

David Kolata, CUB's executive director, said it was uncommon, but not unheard of, for the ICC's staff to make a recommendation lower than that of consumer advocates.

"It certainly is good news," Mr. Kolata said. "What it means is that in all likelihood, the (increase) is going to get lower as this (moves through the approval process)."

The two gas utilities in February asked the ICC for permission to increase the amount it charges for delivering gas to customers' homes. That cost can be roughly one-third of every monthly bill. The request was the second time in two years Peoples Gas has asked for an increase.

The ICC is expected to issue its ruling on both utility's requests early next year.

Last year, the ICC granted Peoples Gas a \$71 million rate increase, which added roughly \$7 to every monthly bill. That decision, while lower than the \$103 million originally requested, is being appealed.

"We were certainly disappointed when they filed for this rate request . . . almost before the ink was dry" on the previous request, Mr. Kolata said.

A Peoples Gas spokesman said the utility filed its request "very reluctantly" given the economic pressures its customers are likely facing during the recession.

"We have to balance the need for a financially strong utility and the customers' need for an essential service,"

the spokesman said. "Since our last (request), we have had higher systems and operating costs, it's harder to get financing and we have increased costs in retiree healthcare and pension benefits."

The Peoples spokesman said the company needs to continually upgrade its system while remaining financially stable.

"Without adequate revenue, we are not able to do that," he said.

Mr. Kolata said that Integrys Energy hardly seems to be struggling after posting a profit of \$129.5 million last year.

The Peoples Gas spokesman said that while the parent company earned that much, Peoples Gas and North Shore Gas "did not earn that much money at all." Peoples Gas saw a profit of \$37.2 million and North Shore Gas \$6.9 million, both figures below target rates of return, the spokesman said.
