



Citizens Utility Board

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FOR IMMEDIATE RELEASE:
June 11, 2009

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CUB: STATE REGULATORS SHOULD SLASH \$161.9 MILLION PEOPLES GAS RATE HIKE, MASSIVE INCREASE UNJUSTIFIED

Peoples Gas inflated expenses to push for a \$161.9 million rate hike, and state regulators should slash the massive, unjustified request by at least 70 percent, the Citizens Utility Board (CUB) said Thursday.

CUB, the Illinois Attorney General's office, and the City of Chicago filed expert testimony late Wednesday opposing the increase proposed by Peoples Gas, whose parent company, Integrys Energy Group, Inc., made \$126 million in profits last year. It's the latest round in an 11-month rate case that the Illinois Commerce Commission (ICC) is expected to decide by early 2010.

CUB argued that at best Peoples Gas could only justify a \$48.3 million increase—less than a third of the \$161.9 million it requested. CUB also asked the ICC to cut sister company North Shore Gas' proposed \$21.9 million increase in half, to about \$10.9 million.

The deep cuts in the utilities' proposed increases could become even larger, depending on further review of the case.

“There's no evidence that Peoples Gas needs such a massive rate hike to provide quality service and make a reasonable profit,” CUB Executive Director David Kolata said. “As Chicago families struggle to pay the mortgage and put food on the table, this is no time for an exorbitant rate hike from a gas utility whose parent company made \$126 million in profits last year.”

Peoples Gas filed for the \$161.9 million rate hike in February, only a year after state regulators gave it and North Shore Gas a \$71 million increase. Although CUB and other consumer advocates had helped reduce the companies' initial request by about \$30 million, CUB is appealing the \$71 million rate hike while it fights the new proposal.

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Expert testimony shows that the company inflated expenses to justify a huge increase it doesn't need or deserve. For example, CUB argued that Peoples Gas' projected return on equity—the rate of shareholder profit—was an excessive 12 percent. CUB proposed a more reasonable 8.58 percent.

CUB Policy Director Chris Thomas argued that a utility is inherently low risk because of its guaranteed return, so it's actually a safe harbor for investors in tumultuous financial times and shouldn't be allowed to capitalize on market uncertainty by insisting on an inappropriately high return.

The companies also overestimated the expense of natural gas they need to purchase for their own use, even though gas prices have plummeted this year, according to the testimony.

Peoples Gas and North Shore Gas are asking for an increase in the rates they charge to cover the expense of delivering gas to homes—plus a profit. These delivery costs take up about a third of a customer's gas bill. The rest covers the cost of the actual natural gas, which the company passes on to customers, with no mark up.

CUB is Illinois' leading nonprofit utility watchdog organization. Created by the Illinois legislature in 1983, CUB opened its doors a year later to represent the interests of residential and small-business utility customers. Now celebrating its 25th anniversary, CUB has saved consumers more than \$10 billion by helping to block rate hikes and secure refunds over the years. For more information, call CUB's Consumer Hotline at **1-800-669-5556** or visit www.CitizensUtilityBoard.org.

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