



Citizens Utility Board

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STATEMENT BY CUB EXECUTIVE DIRECTOR DAVID KOLATA ON DOCUMENT SHOWING PEOPLES GAS MISLED ICC OR WITHHELD KEY INFORMATION FROM AGENCY

CHICAGO, Feb. 5, 2016—In a filing before the Illinois Commerce Commission (ICC), Attorney General Lisa Madigan and CUB argue that during a merger approval case last year, executives at Peoples Gas "knowingly misled" state regulators or withheld from them the \$8 billion estimated cost of a pipe-replacement program that has been riddled with mismanagement. The evidence shows that Peoples Gas officials did not disclose the \$8 billion figure at an Illinois Commerce Commission meeting in May of 2015, even though employees of the utility had known of the figure for months. These findings are disturbing because they raise the possibility that certain executives withheld the fact that the program's projected costs had nearly quadrupled to \$8 billion out of fear that it would block a merger that led to millions of dollars in payouts for those executives. We thank the ICC for its leadership in this case, and we urge it to issue subpoenas to force Peoples Gas officials to testify under oath as to why the utility did not reveal the cost estimate in a timely manner. Chicagoans are paying for a program that has been plagued by irresponsible spending, and they deserve the truth.

Background:

-On Thursday, Feb. 4, Attorney General Madigan and CUB filed a pleading that argues there is sufficient evidence to conclude that Peoples Gas "knowingly misled or withheld" information at a May 20, 2015 Illinois Commerce Commission (ICC) meeting. Consumer advocates had asked the ICC to investigate whether Peoples violated the Public Utilities Act by withholding an updated cost estimate of the program in order to get regulatory approval for Wisconsin Energy's \$5.7 billion acquisition of Integrys Energy Group, the parent company of Peoples Gas. The acquisition, approved by the ICC in June, led to millions of dollars in payouts for Peoples executives.

-In 2009, the ICC approved a Peoples Gas proposal to replace 2,000 miles of aging Chicago gas mains. Chicago consumers pay for the Accelerated Main Replacement Program, or AMRP, through their natural gas bills. The costs of the program have ballooned, and an ICC-ordered audit confirmed that the project is rife with mismanagement, and that gas leaks actually increased in Chicago since the program began.

-In November 2015, Peoples Gas filed a report that estimated the overall cost for completing the program could go as high as \$8.3 billion—up from original estimates of about \$2.2 billion. Consumer advocates have now uncovered evidence that Peoples employees may have seen an \$8 billion estimate as early as November 2014.

-The ICC is now seeking input from consumer advocates and its own staff on how to reform the program.

Created by the Illinois Legislature, CUB opened its doors in 1984 to represent the interests of residential and small-business utility customers. Since then, the nonprofit utility watchdog group has saved consumers more than \$20 billion by helping to block rate hikes and secure refunds. For more details, call CUB's Consumer Hotline, 1-800-669-5556, or visit CUB's award-winning website, www.CitizensUtilityBoard.org.

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