



Citizens Utility Board

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ATTORNEY GENERAL, CUB PUSH FOR NICOR GAS RATE CUT OF UP TO \$52 MILLION, AS A CONDITION OF SOUTHERN ACQUISITION

CHICAGO, Feb. 24, 2016—Nicor Gas is over-earning and should be ordered to give its customers a rate cut of up to \$52 million, according to expert testimony filed by Illinois Attorney General Lisa Madigan and the Citizens Utility Board (CUB).

The testimony, written by David J. Efron, a New Hampshire-based Certified Public Accountant and expert on utility regulations, was filed this month as the Illinois Commerce Commission (ICC) reviews a bid by Southern Co. to acquire Nicor's parent company, AGL Resources.

The roughly \$8 billion deal, announced last August, would create the nation's second biggest utility company. It is scheduled to close in the second half of 2016—but first it needs approval from regulators in several states, including from the ICC.

"This deal is lacking in consumer benefits," CUB Executive Director David Kolata said. "Our expert testimony proves that Nicor is over-earning, so one of the best ways to protect Nicor customers in this deal is to give them a rate cut."

Illinois utilities like Nicor operate as monopolies in the regions where they deliver gas through their pipes. Special regulations govern what rates they can charge, as well as the return on equity (profit rate for shareholders) they can earn.

Nicor made \$100 million in profits in 2014 and had a return on equity of 14.7 percent, according to Efron's testimony, filed Feb. 3. That was nearly 5 percentage points higher than the return on equity (10.17 percent) authorized by the ICC in the company's last rate case, decided in 2009. "This equates to excess net income of \$30.8 million, which translates into excess revenues of \$52.2 million," Efron wrote.

The over-earning is connected to changes to Nicor's "depreciation accrual rate," approved by the ICC in 2013. The change lowered depreciation costs by about \$50 million in 2014. Depreciation lowers the value of a utility's assets, such as trucks and other equipment, and that is a key factor in setting rates.

Nicor customers who want to send a message to the ICC in favor of a rate cut can visit www.CitizensUtilityBoard.org.

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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