



Citizens Utility Board

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STATEMENT BY CUB EXECUTIVE DIRECTOR DAVID KOLATA ON \$10 MILLION REFUND FOR PEOPLES GAS CUSTOMERS

May 10, 2016—CUB is pleased that WEC Energy Group, the parent company of Peoples Gas, has agreed to a settlement that requires it to pay \$18.5 million, including a \$10 million refund for Chicago gas customers. This should be a warning to all utility companies: If you mislead state regulators you will suffer financial consequences. The big question is, are the new owners of Peoples Gas ready to get down to the business of fixing a pipe-replacement program that has been plagued by mismanagement and skyrocketing costs? Chicagoans, who are paying for this program, deserve better. We thank the Illinois Commerce Commission (ICC) for its leadership in this case, we urge a quick approval of the settlement, and we look forward to working with the agency, the City of Chicago and the Illinois Attorney General's Office to reform the troubled Peoples Gas pipe-replacement program.

Background:

-On Tuesday, May 10, WEC Energy Group (the parent company of Peoples Gas), the Illinois Attorney General's Office and CUB agreed to a settlement in which WEC will pay \$18.5 million. That includes a \$10 million gas-bill credit spread out among residential, small business and commercial customers; a \$4.5 million payment to the state, and a \$3 million payment to "Share the Warmth," a program that provides heating bill assistance to low-income customers. In addition, the company will provide an additional \$1 million to reconnect low-income customers whose gas was shut off recently. The settlement requires ICC approval.

-This settlement resolves the ICC's investigation in Docket No. 15-0608 on whether Peoples Gas, its former parent, Integrys Energy Group, or its new parent, WEC, violated the Public Utilities Act by not revealing that senior management knew the projected cost estimate of the pipe-replacement program had risen to more than \$8 billion. Consumer advocates argued that gas executives may have hidden the figure out of concern that it would derail regulatory approval of Wisconsin Energy's \$5.7 billion acquisition of the parent company of Peoples Gas. The lucrative deal was approved by the ICC.

-Separate from the settlement, consumer advocates are monitoring costs yearly to identify wasteful spending and possibly seek refunds, and are working with the ICC to implement program reforms.

-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 gas bills. Since then, an ICC-ordered audit has confirmed that the project is rife with mismanagement.

-Last November, Peoples Gas filed a report that estimated the overall cost for completing the program by 2030 could go as high as \$8.3 billion—up from original estimates of about \$2.2 billion. An expert in the Attorney General's office determined that AMRP would cost residential heating customers an average of nearly \$7,700.

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.