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AS CONCERN GROWS OVER SOARING CHICAGO GAS BILLS, ALDERMAN AND CONSUMER ADVOCATES URGE END TO RECKLESS PEOPLES GAS SPENDING

A City Council hearing on soaring home-heating costs shows the growing concern in Chicago that reckless spending by Peoples Gas will spark a citywide crisis for residents trying to afford their natural gas bills, consumer advocates and a key alderman said Wednesday.

Before Wednesday's hearing, Ald. George Cardenas and representatives from AARP Illinois, Illinois PIRG and the Citizens Utility Board (CUB) urged the city council members to pass **SR2018-837**, a resolution that calls for more transparency and oversight from Peoples Gas.

The resolution would also encourage the Governor and state legislators to pass reform legislation to rein in the out-of-control spending by Peoples Gas on its mismanaged and ineffective pipeline-replacement program, the "System Modernization Plan" (SMP). Consumer advocates say the SMP has an overly aggressive spending pace, is over budget, and has not been meeting its goals. And they warn the program could double gas bills in years to come, hitting seniors and people on a fixed income especially hard.

Cardenas, the chair of the Health & Environmental Protection committee, has pushed for months to hold a hearing on the problem, after published reports showed that Peoples Gas customers on average paid 80 percent more than suburban Nicor Gas customers to heat their homes in the winter of 2017-2018.

"As Chairman, it is my responsibility to bring greater transparency and oversight to a program that has been plagued by scandals and misinformation," Ald. Cardenas said. "Peoples Gas' rate of pipe replacement simply does not correspond to their dramatic increase in capital spending. Chicagoans deserve answers, and I look forward to a judicious discussion."

While the SMP allows Peoples Gas to raise bills and boost earnings—the utility reportedly made a record \$132 million in 2018—it's been a disaster for customers who pay for the program through their gas bills. Since a 2015 audit ordered by the Illinois Commerce Commission (ICC) uncovered rampant mismanagement, the SMP's projected costs have skyrocketed from \$4.5 billion to about \$11 billion. The audit found that Peoples Gas could not adequately explain why leak rates failed to decline despite spending hundreds of millions of dollars on pipe replacement.

A 2017 analysis by Crain's Chicago Business found that Peoples' budgeted per-mile cost for pipe replacement was double the inflation-adjusted amount it spent during the 1990s. And more recently, in a televised interview, Peoples Gas CEO Charles Matthews admitted he doesn't know what the final price tag will be.

Meanwhile, gas bills keep rising. Over the last decade, the ICC has granted Peoples Gas more than \$250 million in delivery rate hikes that help pay for SMP. Additionally, the Illinois General Assembly in 2013 passed a law that allows Peoples Gas to bypass the regulatory process and impose an extra surcharge on customers to more quickly recover certain pipe-replacement costs.

Chicagoans feel the burden. Alarming, Peoples has said that about 92,000 customers—15 percent—were threatened with disconnection last year. And with the company planning to spend about \$300 million a year on SMP, that burden is expected to get worse: An analysis by former Illinois Attorney General Lisa Madigan's office

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estimated that the program could help double gas bills and cost the average customer \$7,700 over the next 20 years.

And despite the growing hardship for consumers, Peoples Gas is not meeting key goals. The utility's 2018 year-end report showed that it only replaced 69 percent of the miles of pipe slated for work.

"Older adults in Chicago tell us every day that soaring utility bills are one of their biggest concerns, leaving them worried about how they will be able to stay in their homes in the city," said AARP Illinois State Director Bob Gallo. "On behalf of our 250,000 members in Chicago alone, we thank Ald. Cardenas, CUB and Illinois PIRG for standing up on behalf of residents who are being forced to pay so much more than suburban utility customers."

Peoples Gas is legally obligated to replace hazardous pipes, and the company is supposed to do it in a cost-effective manner. While acknowledging the hardship SMP could cause customers, the ICC has argued—over the objections of the Office of the Attorney General and consumer advocates—that it doesn't have the authority to curb Peoples' spending.

But consumer advocates argue that Peoples has exploited the program as if it were a blank check. That's why they are pushing for House Bill 3044, sponsored by Rep. Sonya Harper and Rep. Theresa Mah. The measure would bar Peoples Gas from imposing the surcharge and subject the utility's program spending to traditional regulatory oversight and more scrutiny.

"It is simply unacceptable that Peoples Gas now tells us it doesn't know the final price tag of its main-replacement program," said Bryan McDaniel, CUB director of governmental affairs. "Every major public works program in the world has a budget. The fact that this project now doesn't is truly disturbing for anyone who pays a gas bill in Chicago."

"While it uses public safety concerns to justify its unaffordable program, Peoples Gas is instead running a bloated, mismanaged system overhaul program that fails to effectively address public safety risks," Illinois PIRG Director Abraham Scarr said. "Regulators have so far failed to hold Peoples Gas accountable. The time is now for new leadership at the city and state level to reform this troubled program."

Peoples Gas first proposed its "System Modernization Plan" in 2007, and the program is slated to last until 2035-2040, replacing nearly 2,000 miles of cast iron gas mains with plastic pipes.

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at <http://states.aarp.org/region/illinois/>.

Illinois PIRG is a consumer group that stands up to powerful interests whenever they threaten our health and safety, our financial security or our right to fully participate in our democratic society. For decades, the group has stood up for consumers, countering the influence of big banks, insurers, chemical manufacturers and other powerful special interests. Learn more at www.illinoispirg.org.

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

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