



CITIZENS UTILITY BOARD

Fighting for Illinois Consumers

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CUB: NORTH SHORE GAS' \$10.6 MILLION RATE-HIKE PLAN UNJUST, UNREASONABLE

North Shore Gas is seeking an unjust \$10.6 million rate hike fueled by an inflated profit rate for its shareholders, the consumer watchdog Citizens Utility Board (CUB) said Wednesday, citing testimony it filed with the Illinois Commerce Commission (ICC).

The testimony is part of an overall effort by consumer advocates, including the Illinois Attorney General's office, to wipe out most of the company's proposed increase.

In October, North Shore Gas, a utility that serves about 165,000 customers in more than 50 suburbs north of Chicago, filed for a \$10.6 million rate hike, including a 10 percent Return on Equity (ROE), or profit rate for shareholders. The filing started an 11-month rate case, which means if the ICC grants the company an increase it will hit customers just in time for the winter heating season of 2021-22.

CUB is challenging the rate hike and commissioned an expert analysis of the company's proposed profit rate for shareholders. North Shore Gas' proposed ROE "substantially exceeds a fair return on equity" and "would inflate rates to customers above a just and reasonable level," according to testimony written by Michael Gorman, an expert from Brubaker & Associates, Inc., a Missouri-based consulting firm that specializes in utility regulation.

A more fair ROE is 9.3 percent, which would give the company enough resources to maintain its system and at the same time reduce the rate hike by millions of dollars, according to CUB's testimony. Strengthening the consumer group's position, the staff of the ICC also filed testimony and recommended a similar ROE of 9.29 percent.

In rate cases, various parties will focus on different aspects of a utility's proposal. Testimony from the Illinois Attorney General's office used CUB's proposed ROE along with its own recommendations on incentive compensation for employees, rate-case expenses and updating net plant balance (an adjustment to correct for updated cost and project projections) to argue for cutting the rate hike to about \$2.6 million. That's about 75 percent less than the company's proposal. ICC staff recommended cutting the rate hike to about \$3.4 million.

"As customers struggle to pay their bills and recover from the pandemic, they shouldn't be slammed with an unjust rate hike," CUB Executive Director David Kolata said. "The company's request is over the top, and it's the last thing North Shore customers need as they try to recover from this unprecedented public health and economic crisis."

Statistics suggest a sizeable number of North Shore customers are having difficulty affording their bills. Citing an ICC filing, Crain's Chicago Business reported that 31,162 North Shore households received late-payment fees last September—about 21 percent of the total in the company's territory. In the 60085 ZIP code, which includes Waukegan, 9,558 households were assessed late fees, about 56 percent of the homes there, Crain's reported.

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While many customers are struggling, North Shore's parent company, WEC Energy Group, boasted of "strong 2020 results" in a Feb. 4 news release. The parent reported net income of \$1.2 billion, up about 6 percent over 2019.

The proposed hike would increase delivery rates, which take up about a third to a half of gas bills. That's what North Shore charges to cover the costs of delivering gas to customer homes, plus a profit. The rest of a gas bill is primarily taken up by supply costs, what customers pay for the actual gas they use to heat their homes. Under law, North Shore cannot profit off supply rates—it is required to pass those costs onto customers with no mark up.

Even customers who pay an alternative gas supplier still would pay North Shore's higher delivery charges. So customers should beware of any sales representative who claims they can avoid the rate hike by signing up with an alternative supplier. All customers would pay these higher rates.

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

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