



# CITIZENS UTILITY BOARD

Fighting for Illinois Consumers

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## **CHICAGO RESIDENTS WOULD SAVE THOUSANDS BY SWITCHING FROM GAS TO ELECTRIC HEAT, CUB STUDY FINDS**

*Reckless Peoples Gas Spending has Sparked a Heating-Affordability Crisis, But High-Efficiency Electric Heat Pumps Would Deliver Significant Savings and Help the City Meet Climate Goals*

With winter heating bills projected to balloon by as much as 35 percent and Peoples Gas customers struggling to afford the utility's controversial pipe-replacement program, a study released Thursday by the Citizens Utility Board (CUB) finds that Chicago residents could slash their energy costs by up to \$47,000 over the next three decades by replacing gas furnaces with a highly efficient alternative.

CUB's latest study, "[Better Heat: The Economics of Residential Building Electrification in the City of Chicago](#)," focuses on electric "heat pumps," an ever-improving technology that can cool a home in the summer, but in the winter functions like a central air-conditioning unit in reverse, circulating hot air into a household. CUB's research team found that households that "cut the pipe" and switch from natural gas to a heat pump would enjoy lifetime savings ranging from \$24,716 to \$47,104. In total that could potentially generate between \$25.3 billion and \$28.9 billion in cumulative savings for Chicago residents over the next 34 years.

"The status quo with natural gas heat is unsustainable from both a financial and environmental point of view," said CUB Executive Director David Kolata. "If Chicago wants to meet its important climate goals and protect its residents from out-of-control energy costs, we have to give consumers a clean, affordable alternative to heat their homes."

CUB evaluated the costs and benefits associated with replacing natural gas with heat pumps under a variety of residential conditions. It found that the amount of annual savings attributed to heat pumps and the length of the full-payback cycle – the point at which the cumulative sum of those yearly reductions equals the upfront cost of installing the new system – varies depending on the occupancy of the residential building and the useful life remaining on its furnace.

But across all scenarios, heat pumps will pay for themselves in as little as three years, and no more than eleven, while continuing to compile savings for as long as they're in operation, according to the analysis. Specifically, people in new construction or those needing to replace both their furnace and central air conditioners at the end of their service life would see immediate monthly savings. Households that just need to replace their gas furnace would have a 3 year to 6 year payback period.

In a retrofit scenario, where the furnace still has life in it, the payback period is longest at eleven years which is typical of other significant energy improvements, such as installing solar panels, according to CUB's study.

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These savings numbers, while significant, don't factor in the substantial public health benefits of replacing natural gas with cleaner alternatives. RMI estimated that air pollution from burning fuels in buildings led to an estimated \$12.5 billion in Illinois health impact costs in 2017.

The CUB study's results point to a way out of the current morass afflicting Chicago's natural gas heating system, Kolata said. While gas commodity prices are currently skyrocketing and projected to help raise winter heating bills by 35 percent, bills for Peoples' customers were already escalating at a jarring rate, due to a pipe-replacement program tainted by overspending and mismanagement cited in a regulatory investigation. Consequently, already high fixed costs for the utility's customers are forecast to double to as much as \$80 per month in the next ten years.

The extent of the damage to customers is already shocking: Utility numbers filed with state regulators show that at the end of September Peoples Gas arrearages totaled \$126 million – triple Nicor Gas' total arrearages, even though Nicor serves nearly three times as many customers – and the average debt is a massive \$734 per customer.

“With the Peoples Gas pipeline-replacement program driving the City toward structural energy poverty, CUB's research points the way toward an alternative future in which achieving the City's climate change goals would provide significant savings to Chicago households,” Kolata said. “As with any just transition, the policy must focus on protecting low- and moderate-income consumers.”

Kolata noted that the transition away from natural gas, as proposed in CUB's study, raises many of the same issues that were just resolved on the electric side in Illinois by the Climate & Equitable Jobs Act (CEJA), nation-leading legislation signed by Governor J.B. Pritzker in September. CUB looks forward to working with Mayor Lori Lightfoot, the City Council, environmental and environmental justice organizations, low-income advocates, unions, and all stakeholders to ensure an equitable heating future in Chicago that protects consumers, improves the environment and creates good-paying jobs, Kolata said.

*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 website, [www.CitizensUtilityBoard.org](http://www.CitizensUtilityBoard.org).*

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