



# CITIZENS UTILITY BOARD

Fighting for Illinois Consumers

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## **CUB: State Regulators Should Slash Nicor Gas' Record Rate Hike**

**CHICAGO**—Nicor Gas' record \$321 million rate-hike request includes an excessive profit rate for corporate shareholders and should be slashed by at least \$106.5 million, the Citizens Utility Board (CUB) said Thursday, citing expert testimony it filed.

“Nicor’s rate-hike request is unjust and unreasonable—it will only be a hardship for customers, and it should be gutted,” CUB Executive Director David Kolata said. “We know consumers are struggling—we hear from them every day. With climate change getting worse and customers having a harder and harder time paying their bills, we can’t afford to burn so much money on an expensive fossil fuel like gas that will soon be obsolete.”

Kolata urged Nicor customers to visit [CUBHelpCenter.com](https://www.cubhelpcenter.com) to sign a petition to the Illinois Commerce Commission (ICC) against the proposed increase.

On January 3, Nicor Gas filed for a company-record \$321 million rate hike with the ICC, pushing to increase delivery rates by an average of \$9.28 a month. It would be the latest hardship for Nicor customers, who have endured a five-year spending spree from the utility. Since 2018, Nicor has successfully pushed for three rate hikes that raised delivery charges by a punishing 77 percent, or \$500 million.

In that same five-year period, 2018-2022, Nicor’s parent company, Southern Co., has raked in \$16 billion in profits.

Consumer advocates have sounded the alarm in 2023, as major Illinois gas and electric utilities are pushing for a record six rate hikes totaling \$2.8 billion. In response to this unprecedented attack, several groups and agencies are challenging the increases, including the Illinois Attorney General’s Office, Environmental Defense Fund, Natural Resources Defense Council, Illinois PIRG, the City of Chicago and CUB.

In the Nicor case, CUB, the Illinois Industrial Energy Consumers (IIEC) group and Community Development Corporation of Pembroke-Hopkins Park partnered to commission an expert analysis by Michael Gorman and James Leyko, of Brubaker & Associates, Inc., a Missouri-based consulting firm that specializes in utility regulation. Through their testimony, filed, Tuesday, CUB makes several recommendations to slash the rate hike by more than \$100 million, including:

**Return on Equity.** Nicor is asking for an excessive increase in its “Return on Equity” (ROE)—or profit rate for shareholders—from about 9.75 percent to 10.35 percent. Instead, CUB argues for a more reasonable 9.4 percent ROE, which would reduce the rate hike by \$55.4 million.

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In the rate-setting process, ROE is the most important component of a utility's "rate of return," which is the rate at which the utility recovers the cost of financing physical assets, such as gas meters, pipes and gas-storage fields.

**Capital Structure.** CUB's expert testimony also found problems with another key component of the rate of return: "capital structure"—basically how it finances infrastructure projects. Nicor's proposed "common equity ratio"—how much of the utility's financing comes from issuing stocks—was too high, CUB argued. The more reasonable equity ratio CUB recommends would reduce the rate hike by another \$16.7 million.

**Executive Bonuses.** CUB argued that customers shouldn't cover bonuses the company gives to executives for reaching financial goals that only benefit shareholders. That recommendation cut Nicor's proposed increase by another \$21.3 million.

Other financial adjustments, including those related to sales forecasts, pension and cash working capital issues, amounted to about \$13.1 million, for a total recommended reduction of at least \$106.5 million. CUB hopes to support additional reductions uncovered by the Illinois Attorney General's Office and other parties.

About \$59 million of the total \$321 million rate hike is for charges customers have already been paying through the controversial Qualified Infrastructure Plant (QIP) surcharge, which state legislators allowed gas utilities to slap on customers beginning in 2013. This regulatory shortcut allows utilities to recover certain costs more quickly and outside a standard ICC rate case proceeding—which is why CUB has pushed to sunset this charge. Under Nicor's rate-hike proposal, the \$59 million being collected through the QIP surcharge would simply be rolled into delivery rates going forward.

The ICC will rule on the rate-hike request in November, after an 11-month rate case. The proposed increase would impact delivery rates—what the utility charges to cover the costs of delivering gas to customer homes, plus a profit. Those rates take up about a third to a half of gas bills.

Nicor is Illinois' largest gas utility, serving 2.2 million residential, public sector and business customers.

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**Citizens Utility Board (CUB)** is Illinois' leading nonprofit utility watchdog group. 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 CUB's award-winning website, [www.CitizensUtilityBoard.org](http://www.CitizensUtilityBoard.org).