



UNDERSTANDING THE PROPOSED ORDER IN THE PEOPLES GAS RATE HIKE CASE

THE BOTTOM-LINE IMPACT:

On the cusp of what was literally the 11th hour of a Friday night on the eve of a holiday weekend the Illinois Commerce Commission released a proposed order with jarring implications for consumers. If the ICC were to adopt its recommendations, Peoples customers would incur a record-shattering rate hike for an Illinois gas utility at a time when the company is brimming with profits.

The recommended rate hike of \$350 million would:

- Surpass the previous state record for a gas utility – a \$240 million increase granted to Nicor in 2021 – by \$110 million.
- Award Peoples Gas an amount equaling 87 percent of the \$402 million it requested.
- Assess an estimated \$120 annually – or \$10 per month – on consumers.

THE STAKES FOR REGULATORS:

Ultimately, this proposed order underscores the gravity of the threat facing Peoples' embattled customers and the need for the regulators to take a less charitable approach to the utility when they rule in late November or December.

OTHER KEY RAMIFICATIONS OF THE PROPOSED ORDER:

- **Controversial pipe-replacement program.** The proposed order does nothing to combat Peoples' rabid spending spree on its pipe-replacement program, which has caused the fixed cost on customer bills to soar exponentially in recent years. Consumer advocates argued that regulators should at least require the utility to document and substantiate the need for its hefty expenditures on the program, but the administrative law judge rebuffed even that minimal request in the proposed order.

An independent auditor found that the program has been compromised by chronic waste and mismanagement under Peoples stewardship. Under this proposed order, there would be no new safeguards installed to try to restore integrity to that project, even though it has wrought a crisis for customers who now have to pay about \$50 in monthly costs before they ever turn on the gas. Meanwhile, without the kinds of reporting standards that consumer advocates sought and the proposed order rejected, the estimated cost of the pipe-replacement program has ballooned from \$2 billion to \$11 billion.

- **Profit Rate for Peoples Shareholders.** The proposed order recommends a generous rate of return of 9.83 percent for shareholders of Peoples Gas. That represents a miniscule fraction below the 9.9 percent rate that Peoples requested, and it would generate a roughly \$12 million annual bonus to shareholders, based on the amount consumer advocates argued was warranted.