



For Immediate Release
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**MADIGAN, DALEY ANNOUNCE \$196 MILLION SETTLEMENT
WITH PEOPLES ENERGY; CUSTOMERS OF PEOPLES GAS AND
NORTH SHORE GAS TO RECEIVE \$100 MILLION IN CREDITS**

Chicago – Attorney General Lisa Madigan and Mayor Richard M. Daley today announced that Peoples Energy has agreed to more than \$196 million in consumer credits and benefits as part of a settlement that will provide much-needed relief to current Peoples Gas and North Shore Gas customers, establish a more than \$25 million program of conservation and weatherization assistance for low- and moderate-income households and reconnect customers who have been disconnected from their heating services due to an inability to pay the high gas prices.

Madigan and Daley said today's agreement settles both the civil lawsuits filed by Madigan's office and the City of Chicago in March 2005, as well as litigation pending before the Illinois Commerce Commission (ICC). The lawsuits alleged Peoples Energy and several of its affiliates devised a fraudulent scheme with Enron to bilk natural gas customers out of well over \$100 million. Today's settlement requires the approval of the ICC and the court, and Madigan's office and the City will be seeking this approval.

"We allege that from 1999 to 2002, Peoples Energy and Enron lined their pockets with money that consumers should never have paid – money that was made illegally," Madigan said. "This settlement truly is a major victory for consumers who will see credits in their gas bills and justice in this agreement."

"This is a very fair settlement that provides welcome relief to the people of Chicago," Daley said.

To compensate for overbilling consumers between 2000 and 2004, Peoples Energy has agreed to refund all current Peoples Gas and North Shore Gas customers – approximately one million households – a total of \$100 million. Credits will be issued to customers in two installments over 12 months, with the first credit issued shortly after the ICC approves the settlement terms.

Peoples Energy will pay more than \$25 million to the Office of the Attorney General and the City of Chicago to create and maintain a conservation and weatherization project for low- and moderate-income homes in the Chicago and North Shore areas. The project will assist homeowners with improvements, such as the installation of new windows and insulation, to help decrease energy costs during the winter.

In addition, the utility has agreed to erase the outstanding debt of up to 12,000 customers that have been disconnected because of an inability to pay the high gas prices. In forgiving the debt, worth as much as \$14 million, Peoples Energy also has agreed to turn on gas service for those households at no additional charge. Peoples Energy will work with Madigan's office and the City of Chicago to identify households currently without natural gas service and to ensure service is returned.

Another \$52.3 million of debt of Peoples Energy customers also will be forgiven.

Additionally, Madigan and the City of Chicago have earmarked approximately \$500,000 to establish a refund program for former Peoples Gas and North Shore Gas customers who were overbilled but otherwise may not have received the refunds provided in the settlement because they no longer are customers.

Finally, as part of this settlement, Peoples Energy has agreed to adopt significant management and business practices changes recommended by the ICC to ensure a direct line of accountability and prevent similar problems from arising in the future.

Today's agreement was reached with Peoples Energy Corporation, an Illinois corporation; Peoples Gas, Light and Coke Company, an Illinois corporation; Peoples MW, LLC, a Delaware limited liability company; Peoples Energy Resources Company, LLC, an Illinois limited liability company; and North Shore Gas, an Illinois corporation. These parties were named in the March 2005 lawsuit filed by Madigan's office and the City of Chicago.

That lawsuits alleged Peoples Energy and its affiliates and Enron North America carried out a scheme to illegally divert assets from the regulated natural gas utility, Peoples Gas, to its unregulated operations run by Peoples Energy and Enron. The lawsuits also alleged that Peoples Gas and North Shore Gas inflated natural gas costs and passed those inflated costs on to Illinois consumers. The scheme involved fraudulent natural gas transactions, sham companies, illegal agreements, questionable accounting and misrepresentations to consumers.

In 1999, Peoples Gas allegedly entered into a one-sided gas purchasing agreement with Enron that gave Enron huge benefits. Madigan and the City of Chicago's complaints alleged the gas purchasing agreement changed Peoples Gas' prior practice and gave Enron enormous power over when, how much and at what price Peoples Gas would buy natural gas. As a result, Peoples Gas paid higher gas prices than it otherwise would have. These higher prices were passed on to Illinois consumers.

Madigan and the City of Chicago's complaints alleged that after reaping millions in profits from the gas purchasing agreement scheme, Enron, in return, paid kickbacks to Peoples Energy by entering into side agreements with Peoples affiliates and engaging in illegal natural gas transactions involving affiliates of Enron and Peoples Energy. The signing of today's settlement agreement does not constitute an admission of guilt by Peoples Energy and its affiliates.

The case is being handled for Madigan's office by Paul Gaynor, Complex Litigation Counsel, David Adams, Assistant Attorney General in the Special Litigation Bureau, and Mark Kaminski, Assistant Attorney General in the Public Utilities Bureau.

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