

PRESS RELEASE



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**MADIGAN, DALEY, CUB ANNOUNCE REFUND CREDITS TO
APPEAR ON NEXT GAS BILL FOR CUSTOMERS OF PEOPLES GAS
AND NORTH SHORE GAS**

Chicago — Attorney General Lisa Madigan, City of Chicago Mayor Richard M. Daley and Citizens Utility Board (CUB) Executive Director David Kolata today announced that as a result of their settlement agreement with Peoples Energy more than one million current customers of Peoples Gas and North Shore Gas will see refund credits on their next gas bills.

To compensate for over billing consumers between 2000 and 2004, Peoples Energy has agreed to provide a refund credit to each of the 1,014,071 current customers of Peoples Gas and North Shore Gas. The credits – totaling \$100 million – will be included on the first bill received by customers after April 24.

“These refund credits cannot change the conduct of Peoples Energy, but they will help consumers who suffered as a result,” Madigan said. “This is an appropriate response to Peoples' conduct.”

“We are pleased that consumers are finally receiving the refunds that they deserve,” said City of Chicago Corporation Counsel Mara Georges. “Consumers should not have to pay for bad planning and business decisions by Peoples Gas.”

“Many customers are still paying off record-high winter heating bills and prices at the pump are soaring, so this refund is welcome news for consumers,” Kolata said. “It also puts the utilities in the state on notice that they will not get away with underhanded schemes – like the Peoples/Enron deal – designed to bilk their customers.”

The refunds come as the result of a settlement agreement reached with Peoples Energy by Madigan's office, the City of Chicago and CUB. The agreement settled both the civil lawsuits filed by Madigan's office and the City of Chicago in March 2005, as well as litigation brought by CUB 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.

The settlement was approved by the ICC on March 28, 2006. In approving the settlement, the ICC determined that the money should be distributed on a varying scale dependent upon the service provider and type of customer. Based on their recommendations, Peoples Gas residential customers will receive a

\$100 refund, Peoples Gas commercial and industrial customers will receive a \$217.53 refund, North Shore Gas residential customers will receive a \$21 refund and North Shore Gas commercial and industrial customers will receive a \$60.63 refund.

In addition to the refunds, the utility is in the process of erasing the outstanding debt for as many as 250,000 current and former customers. As part of the settlement, Peoples Energy is required to turn on, with no additional charge, the gas service for thousands of households that were disconnected between April 1, 1999, and April 1, 2005, because of an inability to pay the fraudulently high gas prices. Peoples Energy is working with Madigan's office and the City of Chicago to identify households currently without natural gas service and to ensure service is returned.

Peoples Energy also will pay approximately \$30 million to the City of Chicago and the Office of the Attorney General 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.

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.

The 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.

Those lawsuits alleged that Peoples Energy and its affiliates worked with Enron North America to carry 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.

As part of this scheme, 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 the settlement

agreement did 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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