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**MADIGAN: COMMERCE COMMISSION DECISION ALLOWS COSTLY, MISMANAGED PEOPLES GAS MAIN REPLACEMENT PROGRAM TO CONTINUE UNCHECKED**

**Chicago** — Attorney General Lisa Madigan today condemned the Illinois Commerce Commission’s (ICC) vote to leave Peoples’ troubled Accelerated Main Replacement Program (AMRP) intact and relatively unregulated, despite mismanagement and astronomical costs to consumers.

In a three to one vote today, the ICC – which is tasked with ensuring consumers have safe, least-cost, and affordable public utility services– concluded that the Commission lacks the authority to manage annual spending on the costly program.

Madigan asked the Commission in a petition filed in 2015 to slow AMRP spending to a more affordable pace in order to protect Peoples customers - and low income customers in particular - who would experience significant rate increases. The Commission opened a two-year investigation that was the subject of the order issued today. Today’s decision leaves intact Peoples Gas’s request to increase AMRP spending to \$300 million per year, with the Commission concluding that it lacked authority under the Public Utilities Act to reign in the AMRP spending based on its interpretation of an obscure provision that caps total infrastructure spending financed through a monthly surcharge.

“The Commission’s decision allows Peoples Gas to continue excessive, unchecked spending for a program that has been mismanaged from the start,” Madigan said. “Peoples Gas customers already pay the highest natural gas delivery service rates in the state. By failing to exercise its regulatory authority, today’s ICC decision guarantees that Peoples Gas’ customers will continue to pay unfairly high rates for the company’s poorly run program.”

As a more affordable alternative, Madigan recommended, based on expert testimony, that Peoples Gas reduce AMRP spending to \$130 million annually and enact a more targeted approach to identifying and replacing vulnerable mains. Madigan’s recommendation would have set the spending rate at the same average annual expenditure level Peoples originally forecasted for the program when it approached the Commission in 2009 seeking approval of an accelerated program. Madigan’s proposal would have also made rates more affordable in the years ahead.

An expert hired by the Attorney General’s office, predicts that under the Commission-approved plan the annual Peoples Gas total bill for an average residential heating customer will more than double from approximately \$1,200 today to about \$2,892 in 2045. The expert also concluded that if Peoples is allowed to continue to spend as it has proposed (and the Commission approved), the main replacement program itself will have an annual residential customer rate impact of \$785 by 2040. The total AMRP-related cost billed to the average residential heating customer over the life of the program will likely be in excess of \$22,000.

The company’s main replacement program has been troubled from the outset. Peoples Gas executives initially stated that the program would cost \$2.6 billion. Prior to its merger with WEC Energy Group, that cost estimate increased to \$4.5 billion. After a 2015 audit report by Liberty Consulting Group revealed that the AMRP could cost consumers an astronomical \$8 billion and that the program had been badly mismanaged, Madigan asked the ICC to investigate whether Peoples violated the law by withholding the exorbitant cost estimate from the Commission in 2015 in the proceeding in which the acquisition of Peoples Gas by WEC Energy Group was approved. An ICC investigation and Madigan’s own investigation into Peoples’ misleading statements about the cost of the program led to two settlements totaling \$18.5 million, in which the company admitted the cost estimate had been withheld from the Commission.

The 2015 audit report by Liberty Consulting Group called Peoples’ AMRP an “out-of-date and out-of-touch” program that should be completely restructured. Liberty was engaged by the ICC in 2013 to conduct a two-phase audit of the AMRP, after ICC Staff

reported serious concerns with management of the AMRP, including a lack of cost controls. The auditors issued some 95 recommendations for changes in the program.

Bureau Chief Janice Dale, Assistant Bureau Chief Karen Lusson, and Assistant Attorney General Ron Jolly have handled this case for Madigan's Public Utilities Bureau, which represents the people of Illinois on public utilities matters and advocates for adequate, efficient, reliable, environmentally safe and least-cost public utility services.

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