



**GILBERT VILLEGAS
CITY COUNCIL
CITY OF CHICAGO**

COUNCIL CHAMBER
CITY HALL • 2ND FLOOR
121 NORTH LASALLE STREET
CHICAGO, ILLINOIS 60602

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FINANCE

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April 20, 2020

Anna Valencia
Office of the City Clerk
121 N LaSalle St, Room 107
Chicago, IL 60602

Peter M. Polacek
Office of the City Clerk
121 N LaSalle St, Room 107
Chicago, IL 60602

Dear Clerk Valencia & Mr. Polacek,

Please be advised that, pursuant to City Council Rule 14 and Section 2-156-080(b) of the Municipal Code of Chicago, I invoked Rule 14 and have recused myself from participation and voting on the following record on the agenda of the City Council on January 15, 2020:

Committee on Environmental Protection – Record # R2019-746 – Call for hearing(s) on Peoples Gas System Modernization Program.

Within the preceding twelve months, I was a member of a consulting firm that worked with Nicor Gas aka Southern Company, and although I have divested from the firm, I was not involved in this matter, and did not receive any income or compensation for this matter, out of an abundance of caution, I will abstain.

Should you need any further information from me, please feel free to contact me at (773) 931-1136.

Sincerely,
Gilbert Villegas
Alderman of the 36th Ward

cc: Steven I. Berlin - City of Chicago Board of Ethics

4-638
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City of Chicago



R2019-746

Office of the City Clerk

Document Tracking Sheet

Meeting Date: 10/16/2019

Sponsor(s): Cardenas (12)
Sigcho-Lopez (25)
Tabares (23)
Ramirez-Rosa (35)
Waguespack (32)
Smith (43)
Rodriguez Sanchez (33)
Hadden (49)
Taylor (20)
La Spata (1)
Hopkins (2)
Dowell (3)
Vasquez, Jr. (40)
Rodriguez (22)
Sadlowski Garza (10)
Nugent (39)
Martin (47)

Type: Resolution

Title: Call for hearing(s) on Peoples Gas System Modernization Program

Committee(s) Assignment: Committee on Environmental Protection and Energy

R E S O L U T I O N

WHEREAS, The Peoples Gas Light and Coke Company (Peoples Gas) is an Illinois corporation engaged in the transportation, purchase, storage, distribution, and sale of gas to the public in Illinois; and

WHEREAS, Peoples Gas is a subsidiary of Milwaukee, Wisconsin based WEC Energy Group, Inc.; and

WHEREAS, Peoples Gas serves more than 869,000 customers, and has delivered gas to residential and business customers for over 165 years; and

WHEREAS, in 2013, the Illinois General Assembly authorized Peoples Gas and other gas distribution utilities to use a special bill rider, known as Qualified Infrastructure Plant, or "Rider QIP," to recover costs related to a specific set of investments, outside of the normal regulatory process; and

WHEREAS, Peoples Gas uses Rider QIP to recover costs of its accelerated pipe replacement program, currently known as the System Modernization Program (SMP); and

WHEREAS, the House sponsor represented during floor debate that the average monthly bill impact would be \$1.14; and

WHEREAS, the average residential customer paid \$8.95 for the rider in June 2019 and on its current trajectory, the average monthly bill impact is projected to peak in 2040 at over \$65; and

WHEREAS, accelerated pipe replacement program cost estimates grew from \$1.4 billion to as much as \$11 billion between 2007 and 2015; and

WHEREAS, an outside audit report on the project published in 2015 found Peoples Gas management did not understand and could not explain likely program duration, cost, or why leak rates were not falling in proportion to the investment made in accelerated pipe replacement; and

WHEREAS, Peoples Gas failed to implement multiple critical audit recommendations; and

WHEREAS; Peoples Gas will spend the same amount of money between 2017 and 2019 as it did across the entire 1990's in inflation adjusted dollars, while replacing only 45% as much pipe; and

WHEREAS, Peoples Gas' "Neighborhood" approach to pipe replacement is designed for medium pressure upgrade work, not targeted at-risk pipe replacement work; and

WHEREAS, on July 20th, 2016, the ICC initiated an investigation "to investigate the cost, scope, schedule and other issues related to the Peoples Gas Light and Coke Company's natural gas system modernization program and the establishment of Program policies and practices;" and

WHEREAS, an expert witness concluded that over the course of the SMP affordability problems "are not limited to hundreds, or thousands, or even tens of thousands of natural gas customers. The affordability problems that would result from the Company's proposal instead extend to hundreds of thousands of customers;" and

WHEREAS, between November 2018 and March 2019, the average Peoples Gas customer paid over \$806 to heat their home, \$324 more than the average suburban customer served by Nicor Gas, even though the average suburban customer consumed 6 percent more gas; and

WHEREAS, in 2018, Peoples Gas sent disconnection notices to 92,000, or 15 percent of Chicago residential heating customers; and

WHEREAS, as of June 2019, Peoples Gas customers were \$30 million behind on bills, almost double the \$15.5 million customers were behind at the same time in 2018; and

WHEREAS, then-ICC Chairman Brien Sheahan commented at the conclusion of the ICC investigation that "the long-term annual costs that [Peoples Gas has] proposed will cause too great a burden for too many households in Chicago."; and

WHEREAS, according to Crain's Chicago Business, "WEC Energy has made capital spending increases a central part of its strategy to boost earnings and dividends for shareholders;" and

WHEREAS, Peoples Gas plans to increase capital spending even further in coming years, from \$1,262 million between 2016 and 2019 to \$1,913 million between 2019 and 2021; and

WHEREAS, Science tells us that to prevent the worst impacts of global warming we need to transition off heating our homes by burning fossil fuels in the next 30 years, well within the lifetime of the new pipes; and

WHEREAS, the SMP increases the potential for billions in stranded assets; and

WHEREAS, on February 15th, 2019, State Representative Sonya Harper filed House Bill 3044 that would eliminate Rider QIP for Peoples Gas upon enactment; and

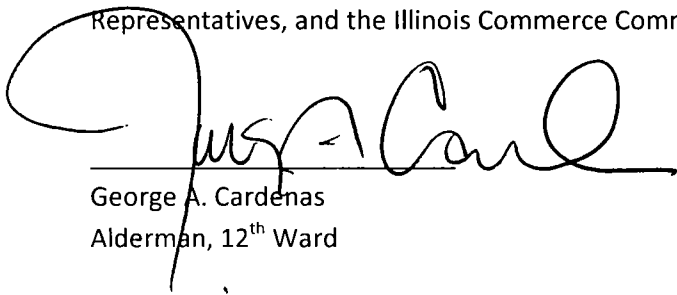
WHEREAS, there is abundant evidence that significant problems remain concerning the management, scope, design, pace and customer affordability implications of the Peoples Gas System Modernization Program; and

WHEREAS, the members of the City Council of the City of Chicago have a responsibility to act in the best interests of their constituents, the vast majority of which are Peoples Gas customers; now therefore,

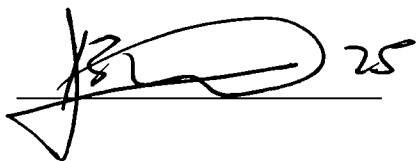
BE IT RESOLVED, that the City Council Committee on Environmental Protection and Energy shall convene a hearing to discuss the Peoples Gas System Modernization Program, and call on Peoples Gas Executives, the Illinois Commerce Commission, and representatives from Chicago consumer advocacy and community organizations to appear before the aforementioned Committee and have a judicious discussion on the System Modernization Program and its impact on customers; and

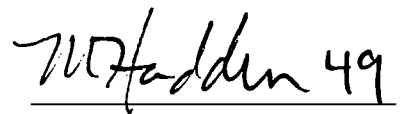
BE IT FURTHER RESOLVED, that we, the members of the City Council of the City of Chicago do hereby call upon Governor JB Pritzker and the Illinois General Assembly to restore necessary oversight of this troubled program, and take adequate action to protect Peoples Gas customers and the public interest; and

BE IT FURTHER RESOLVED, that suitable copies of this resolution be delivered to the Governor of the State of Illinois, the President of the Illinois Senate, the Minority Leader of the Illinois Senate, the Speaker of the Illinois House of Representatives, the Minority Leader of the Illinois House of Representatives, and the Illinois Commerce Commission.

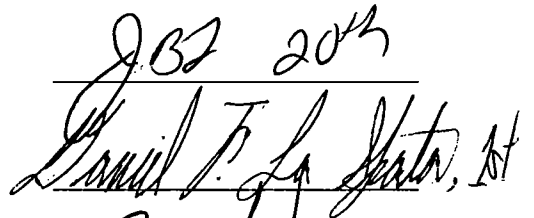

George A. Cardenas
Alderman, 12th Ward

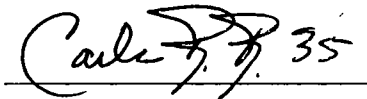
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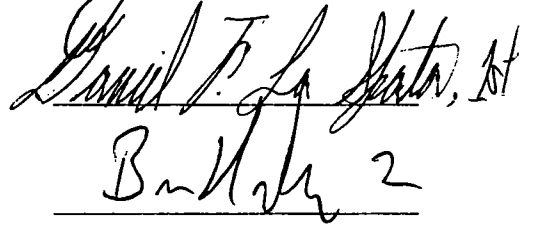
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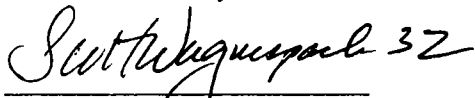
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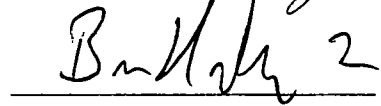
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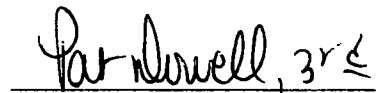
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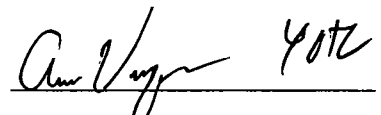
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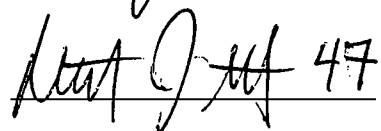
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 3rd

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 40th

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