



OFFICE OF THE MAYOR
CITY OF CHICAGO

RAHM EMANUEL
MAYOR

January 9, 2018

Gale E. Klappa
Chairman and Chief Executive Officer
WEC Energy Group
231 W. Michigan St.
Milwaukee, WI 53203

Dear Gale:

The 2017 Tax Cut and Jobs Act reduced tax rates for corporations like WEC Energy Group, the parent company of Peoples Gas. However, unlike most corporations, your utility profits are governed by the Illinois Commerce Commission, which sets Peoples Gas' utility rates and allows it to recoup corporate taxes as an expense. If your shareholders are able to see the benefits of the new tax legislation this year in rising returns, Chicago residents and businesses should share in the same.

Looking at publicly available historical data, the tax bill windfall from your Chicago gas utility operations could amount to over \$25 million simply due to the change in your federal income tax rate alone, not accounting for the additional tax benefits in the law. Although at some point rates may reflect these tax benefits via the normal ratemaking process, residents and businesses may have to wait potentially years to see this reflected in their utility bills.

At the same time taxes are being cut, Chicago residents and businesses are facing rate increases due to the Peoples Gas System Modernization Program. In addition, a twelve-day streak of temperatures below 20 degrees, something not experienced in Chicago in 80 years, means residents and businesses are likely to be hit with large natural gas bills this winter.

Therefore, I am calling on WEC Energy Group to immediately develop a plan to return the benefits of the tax cut bill back to Chicagoans. That plan could include immediate rate relief, expansion of bill assistance programs targeted at our most vulnerable residents, or other measures that would reduce the impact of your System Modernization Program on the City and its residents. In addition, I have instructed the City's Corporation Counsel to petition the Illinois Commerce Commission, seeking an order requiring accurate accounting of the tax cut on your company's financials and for your

company to present a plan as to how those funds will benefit Chicago residents and businesses.

This action is not without precedent. Commonwealth Edison has announced an effort to return some of the benefits of the tax legislation back to Chicagoland residents and businesses. Currently numerous states, from South Dakota to South Carolina, have or are beginning to pursue action on this issue. In fact, there is also historical precedent for Peoples Gas on this issue. After passage of the 1986 Reagan Tax Cuts, Peoples Gas provided relief of over \$49 million in 2017 dollars in a settlement negotiated with the City of Chicago and others.

We hope we do not have to wait years to pass any benefit of this corporate tax cut back to your customers. We are open to finding ways to provide relief to residents in an expedient way. Please contact Jared Policichio of the Department of Law, at 312-744-1438, if you and your team wishes to discuss the matter further.

Sincerely,

Mayor

CC:
Brien J. Sheahan, Chairman, Illinois Commerce Commission
Charles Matthews, President, Peoples Gas Light & Coke Company