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ICC Approves New Oversight in Peoples' System Modernization Program
Forthcoming Agreement Announced to Cut Recovery Costs for Previous Mismanagement

Chicago, IL... The Illinois Commerce Commission (ICC) today approved in Docket 16-0376 a new oversight plan for the Peoples Gas Light and Coke Company's (Peoples Gas) System Modernization Program (SMP), a project to replace aging and deteriorating natural gas pipelines across Chicago. The new plan includes stronger regulatory oversight by the Commission to ensure the project is properly managed and costs are controlled.

Because it is not a rate case, today's decision did not approve any spending for the project. The Commission will review and must approve any recovery under the Company's qualifying infrastructure plant (QIP) Rider, pursuant to legislation enacted in 2013 which is discussed further below.

The Peoples Gas main replacement project calls for the replacement of 2,000 miles of at-risk mains, the upgrading of 300,000 customer services lines and relocating gas meters from inside customer premises to outside, over an approximately 30 year period.

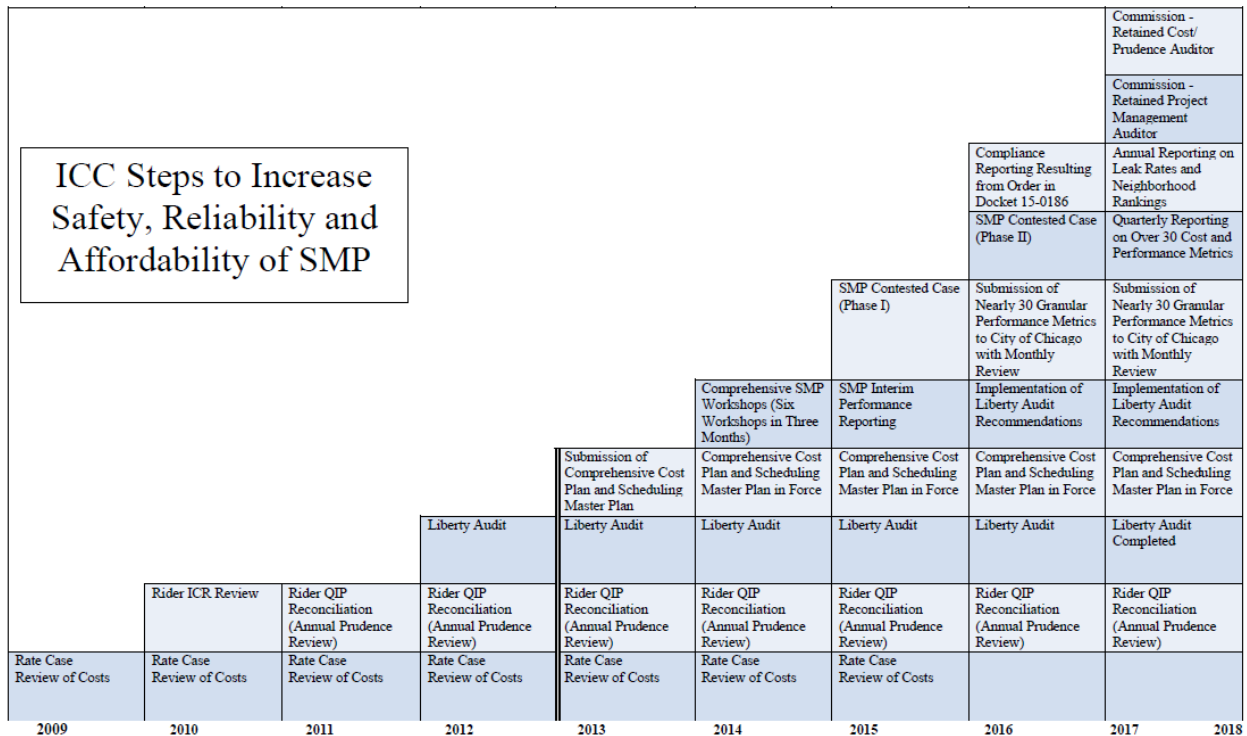
"Today's decision puts the safety of Peoples' ratepayers first and charts a new path forward for the ICC's oversight of the SMP. Chicago's natural gas distribution system is one of the oldest in the country, and our priority must be ensuring it remains safe for the people of Chicago," said ICC Executive Director Cholly Smith. "Strict oversight by the ICC will help put this vital public safety project back on pace, while ensuring the company follows the steps necessary to keep costs down to protect ratepayers."

The Final Order in Docket 16-0376 includes the following key provisions to control the cost, pace, and scope of the SMP:

- Rigorous regulatory oversight and assessment tools, including long-term annual and quarterly reporting and performance metrics that will measure the company's progress in targeting the highest risk pipe, reduction in risk of the system as a whole, and management of the SMP's cost;
- New reporting metrics sought by parties including the Attorney General's office that will allow stakeholders to better monitor progress of the project;
- The hiring of two consultants, one to assist the ICC in auditing the cost of the SMP, and a second to assist the ICC in evaluating Peoples Gas' ongoing project management of the SMP; and

- Creation of a pilot program through 2021 to determine the value of advanced methane detection technology at the urging of the Citizens Utility Board (CUB) and the Environmental Defense Fund (EDF). Peoples Gas will submit annual reports to the Commission concerning program methodology, costs, benefits, results in terms of annual methane leak flow rate reduction and other potential uses for the technology.

The additional oversight measures approved by the ICC today build on past Commission actions, depicted in the graphic below, to improve management of the SMP. Previously, the Commission ordered an independent audit (conducted by Liberty Consulting) of the project, which led to implementation of 88 project recommendations over the last two years.



In addition, Staff of the Commission announced today a forthcoming stipulated agreement in the company’s QIP cost recovery case, Docket 15-0209. Under Section 9-220.3 of the Public Utilities Act, the ICC is mandated to approve QIP recovery costs when they are deemed reasonable and prudently incurred.

The stipulated agreement will address the ICC’s investigation into the 2014 costs of the Peoples Gas SMP, and would result in a refund to customers and reduction of the company’s QIP recovery for its failures to address major cost overruns, permitting and material delays, and a lack of proper management oversight. If approved, the stipulated agreement would reduce Peoples Gas’ QIP recovery by \$5.4 million and approximately \$4.5 million would be divided between (a) assistance to low-income customers and/or “Share the Warmth,” a Peoples Gas program which provides heating grants to limited and fixed-income households having trouble paying their bills, and (b) a credit to the bills of customers who were subject to QIP charges. Formal investigations into the prudence of QIP-related costs in 2015 and 2016 are currently pending before the Commission.

The Company is able to recover QIP costs as a result of the 2013 Natural Gas Consumer, Safety and Reliability Act drafted by the Illinois General Assembly with assistance from the ICC and the Attorney General's Office, and signed by former Governor Pat Quinn. The law allows gas utilities to make incremental investments in infrastructure upgrades and recover the costs through a surcharge on customer bills, with a cap on the percentage of spending that can be passed onto ratepayers.

The law was enacted following a series of deadly gas explosions involving aging cast iron and steel mains in cities around the country, including a 2010 explosion in San Bruno, California that killed eight people, injured over 50, and caused billions of dollars in damage. In March 2011, then U.S. Secretary of Transportation Ray LaHood announced a "Call to Action" through the Pipeline and Hazardous Materials Safety Administration urging utilities to accelerate the repair or replacement of high-risk pipelines across the country.

The ICC is expected to vote on the stipulated agreement during the next regular open meeting on January 25, 2018.

An executive summary and historical narrative on the Peoples Gas SMP can be found by clicking [here](#). If you are interested in learning more click [here](#) for information about Docket No. 15-0209 and [here](#) for information on Docket No. 16-0376.

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About the Illinois Commerce Commission

The Illinois Commerce Commission (ICC) is a quasi-judicial body made up of five Commissioners. Through its Public Utility Program, the Commission oversees the provision of adequate, reliable, efficient and safe utility services at the least possible cost to Illinois citizens served by electric, natural gas, telecommunications, water and sewer public utility companies. Through its Transportation Regulatory Program, the Commission oversees public safety and consumer protection programs with regard to intrastate commercial motor carriers of general freight, household goods movers, relocation towers, safety towers, personal property warehouses and repossession agencies. The Commission's Rail Safety Program also inspects and regulates the general safety of railroad tracks, facilities and equipment in the state.

To learn more about the Commission, its offices and bureaus, click [here](#). If you are a consumer who needs help resolving a utility dispute call 800-524-0795 or file an online complaint [here](#). For a complaint related to transportation, call 217-782-6448.

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