

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission :
On its Own Motion :
: 24-0158
Initiation of proceeding to examine the :
Future of Natural Gas and issues :
associated with decarbonization of the :
gas distribution system. :

ORDER

By the Commission:

Background

On November 16, 2023, the Illinois Commerce Commission (“the Commission”) issued final Orders in (1) Docket No. 23-0066, concerning proposals from Northern Illinois Gas Company d/b/a Nicor Gas Company (“Nicor”) to increase its rates and make revisions to other terms and conditions of service; (2) Docket No. 23-0067, concerning proposals from Ameren Illinois Company d/b/a Ameren Illinois (“AIC”) to increase its rates and revise other terms and conditions of service; (3) and Docket Nos. 23-0068 and 23-0069 (consolidated), concerning proposals from North Shore Gas Company (“NS”) and The Peoples Gas Light and Coke Company (“PGL”) for a general increase in rates and revision to classifications, riders and terms and conditions of service (collectively referred to as “Final Orders”).

In its Final Orders, the Commission directed Commission staff (“Staff”) to develop a plan for a Future of Gas proceeding, including a timeline for workshops and a formal proceeding. See *Northern Ill. Gas Co.*, ICC Final Order, Docket No. 23-0066, 233-234 (Nov. 16, 2023) (“Nicor Final Order”); *Ameren Ill. Co.*, ICC Final Order, Docket No. 23-0067, 95-96 (Nov. 16, 2023) (“AIC Final Order”); *North Shore Gas Co. & The Peoples Gas Light & Coke Co.*, ICC Final Order, Docket Nos. 23-0068/23-0069 (Cons.), 121-122 (Nov. 16, 2023) (“NS-PGL Final Order”). The Commission also directed Staff to prepare an initiating Order to effectuate this proceeding within 90 days of the Final Orders or by February 14, 2024. See *Nicor Final Order* at 234; *AIC Final Order* at 95; *NS-PGL Final Order* at 122.

The Final Orders note that Public Act 102-0662 (“P.A. 102-0662”) codified Illinois’ (“the State’s”) goal of economy-wide 100% clean energy by 2050. The Commission also

recognized in its Final Orders, however, that P.A.102-0662 is silent on authority to pursue decarbonization in the gas sector. See *AIC Final Order*, at 93; *NS-PGL Final Order*, at 121; *Nicor Final Order*, at 233. Nonetheless, to reach the goals of P.A. 102-0662, the gas distribution system must change. See *id.* Most parties, including investor-owned utilities, supported an additional proceeding to discuss and address the effects of the State's clean energy goal and power-sector decarbonization policy on the gas sector. Accordingly, the Commission determined that the Future of Gas proceeding should fully explore issues arising from decarbonization in the gas distribution system, develop recommendations for future Commission policies and action, and develop recommendations for any necessary legislative changes. *Id.* The Commission identified the following issues for discussion in the proceeding:

- Potential for decarbonization of the existing gas system, including identification of technical constraints, hard to decarbonize end-uses, and methodologies for achieving decarbonization;
- If decarbonization requires a shift to electric distribution, the timing of such a shift;
- The role and scope of energy efficiency retrofits, for both residential and Commercial and Industrial end-users, to facilitate decarbonization;
- Cost considerations, including the protection of non-first movers from bearing a disproportionate cost of the remaining gas system;
- Stranded assets of the gas distribution system and planning methods to mitigate the issue, including non-pipeline alternatives;
- Evaluation of strategies for identifying and managing infrastructure that is nearing the end of its useful life or is no longer used and useful;
- The need for future integrated systems planning between gas and electric systems;
- The need for line extensions (for both mains and services) on the gas distribution system in the future and the need for a rulemaking to modify existing codified line extension allowances;
- The ability, costs, and timing of ramping up the electric distribution system to meet expanding load;
- Additional electric distribution infrastructure needed, and interaction with existing electric multi-year rate and spending plans;
- Potential uses for any existing gas infrastructure which may not be needed after the transition;
- The effects of federal and state public policy that supports electrification on the gas system;
- Legislative and regulatory changes needed to effectuate any needed transition;
- Issues unique to propane and other liquid fuel customers; and
- Other issues determined by the Staff to be necessary for the most thorough discussion possible.

Nicor Final Order at 234; *AIC Final Order* at 94-95; *NS-PGL Final Order* at 122. The Commission also directed Staff to further describe and expand upon these categories of issues.

Staff Recommendation

In its report, Staff recommends that the Commission initiate one or more Future of Gas proceedings.

To assist in resolving the complexities and novelties of this proceeding, Staff recommends convening a workshop process prior to the initiation of formal docketed proceedings. Staff describes the purpose of its proposed initial workshop series as an opportunity for Staff, with input from stakeholders, to further describe and expand upon the issues identified by the Commission. Staff states it will schedule workshops regularly and may, upon consultation with stakeholders, solicit comments during the workshops to facilitate discussion and exploration of the issues. At the conclusion of the initial workshop series, Staff states it will solicit initial comments and reply comments regarding stakeholder recommendations for what (if any) docketed proceeding(s) should follow.

Based on the recommendations from the first workshop series, Staff will conduct an additional series of workshops to ascertain the scope of issues, areas of consensus, and areas of disagreement, prior to recommending the initiation of one or more docketed proceedings. This second set of workshops may address multiple potential docketed proceedings (e.g., one or more rulemakings and/or a general docketed investigation).

At the conclusion of all workshops, Staff states that it will submit Staff report(s) to the Commission accompanied by recommended initiating Order(s). Staff does not propose a specific timeline for the workshop process. Staff realizes that the Commission has historically high case volumes and many of the stakeholders are or will be participants in several other Commission proceedings and utility related legislative processes. Therefore, Staff will work with stakeholders to set schedules that move these matters forward without undue delay but permit stakeholders the time for meaningful participation in the proceedings.

Staff states that it will ensure that the workshop series, comment processes, and activities conducted prior to the initiation of any docketed proceedings will be conducted in an open, inclusive, and transparent manner.

Commission Conclusions

The Commission finds a Future of Gas proceeding is necessary to ensure the State's natural gas distribution systems appropriately adapt to the decarbonization goals of P.A 102-0662. The Commission recognizes there are many complexities, both known

and unknown, that must be identified and addressed as the State transitions its energy systems. A Future of Gas proceeding will initiate discussions to identify the technologies, data, legislation, regulation, and investments necessary to adapt these systems. This process will identify critical topics and expand upon perspectives, studies, data, arguments, and other key information individual stakeholders have on each topic. As stated in the Final Orders, the Future of Gas process is intended to inform any potential Commission action or legislation.

With this framing, the Commission adopts a multi-step Future of Gas proceeding, described below.

Workshop Series

The Commission will host two series of workshops to initiate the Future of Gas process. The initial series of workshops will identify the universe of issues related to decarbonization and the gas sector while the second series of workshops will identify recommendations, potential solutions, and/or necessary action to address such issues. Each series will be moderated by a third-party facilitator chosen by the Commission (“Facilitator”). The Facilitator and Staff will work to ensure that each workshop series is inclusive and accessible to all interested stakeholders. All materials and presentations from each workshop will be made available on the Commission’s website. The Commission directs all investor-owned utilities that operate gas or electric distribution systems and encourages other interested stakeholders, including municipal and rural electric cooperative utilities, to participate in both series of workshops.

The scope and timeline of the workshop series below are tentative and may be amended by the Commission or the Facilitator as necessary. The Commission intends to monitor these workshops and, if needed, may amend or supplement the timeline and scope of workshops and of the reports.

a. First Series of Workshops

The first series of workshops will begin within 30 days of this Order. In the first series of workshops, Staff and stakeholders should come prepared to further describe and expand upon the list provided by the Commission in its Final Orders. The first series of workshops will identify all relevant topics relating to the future of natural gas in Illinois and decarbonizing the State’s natural gas distribution systems. The first series will also elicit from participants relevant informational resources, including data or analysis not yet conducted. The Facilitator shall have the authority to convene workshops as necessary.

Upon completion of the first series of workshops, the Facilitator shall: (1) publish to the Commission’s website a first draft of a public initial report (“Initial Report”) that identifies and concisely describes topics, information, and issues raised by parties; (2)

provide parties the ability to comment on the first draft of the Initial Report; and (3) incorporate those comments into the final draft of the Initial Report. A final draft of the Initial Report shall be completed and submitted to the Commission no later than August 1, 2024. The Initial Report shall inform the second series of workshops and shall include any recommendations from the Facilitator on the timeline for completion of the second series of workshops. Upon review of the Initial Report, the Commission may revise the tentative schedule for the second series of workshops detailed below.

b. Second Series of Workshops

The Facilitator shall initiate the second series of workshops no later than September 1, 2024.

The second series of workshops will be held to examine the issues identified in the Initial Report and shall, at a minimum, address: (1) stakeholder positions and perspectives on the issues identified, including assessment of identified issues based on short- (present through 2035), medium- (2035-2045), and long-term (beyond 2045) time horizons; (2) areas of consensus and areas of disagreement between stakeholders; (3) proposed legislative and/or regulatory solutions to individual topics; and (4) recommendations for Commission action where relevant.

As in the first series of workshops, the Facilitator has the discretion to convene workshops as necessary. The second series of workshops shall conclude by July 1, 2025.

c. Facilitator Report

Upon completion of the second series of workshops, the Facilitator will develop a separate public report that captures the findings, perspectives, key information, relevant data, and recommendations provided by stakeholders during the second series of workshops ("Facilitator Report"). The Facilitator Report will identify proposed solutions or action items that can be taken by the Commission. The Facilitator Report should also identify topics and issues that would require action from other governmental bodies including, but not limited to, the Illinois General Assembly, other Illinois state agencies, and federal agencies. Once a draft of the Facilitator Report is completed, parties will have the opportunity to provide comments and reply comments that the Facilitator shall incorporate into a final draft of the Facilitator Report. The Facilitator Report shall be submitted to the Commission no later than July 1, 2025.

For issues where Commission action is recommended in the Facilitator Report, Staff will develop and provide, as an appendix to the Facilitator Report, draft initiating orders for the Commission to consider as bases for any related formal docketed proceedings.

The Commission, being fully advised in the premises, is of the opinion and finds that:

- (1) The Commission has jurisdiction over investor-owned utilities engaged in the distribution of natural gas in Illinois, and the subject matter of this proceeding;
- (2) A Future of Gas proceeding should be commenced and convened;
- (3) All utilities engaged in the distribution of natural gas or electricity in Illinois, including municipal and rural electric cooperative utilities, should participate in this proceeding;
- (4) the Staff Report dated February 2, 2024, should be filed in this docket and made a part of the record of this proceeding; and
- (5) the Future of Gas proceeding should go forward in the manner described in this Order.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that a Future of Gas proceeding should be commenced and convened.

IT IS FURTHER ORDERED that all investor-owned utilities engaged in the distribution of natural gas or electricity in Illinois shall participate in this proceeding.

IT IS FURTHER ORDERED that the Staff Report dated February 2, 2024, be made a part of the record of this proceeding.

IT IS FURTHER ORDERED that a copy of this order be served on all utilities engaged in the distribution of natural gas and electricity in Illinois.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 7th day of March, 2024.

(SIGNED) DOUGLAS P. SCOTT

Chairman