

# Illinois Commerce Commission (ICC)

## Future of Gas Workshops: Phase 1

### Written Comment Template for Draft Phase 1 Report

#### **Instructions:**

- Using this Written Comment Template, send written comments to the Facilitator, Celia Johnson: [Celia@CeliaJohnsonConsulting.com](mailto:Celia@CeliaJohnsonConsulting.com) **by Friday, July 12**
  - Include “Phase 1 Report Comments” in the subject line.
  - Comments received will be posted [on the ICC Future of Gas website](#)
- Please note the following:
  1. Please refrain from sharing a position on topics or issues addressed or presented during Phase 1 Workshops.
  2. Please do not duplicate comments previously submitted.
  3. The Facilitator and ICC Staff are particularly interested in comments on Section IV, *Topics Identified During Phase 1 Workshops*.
  4. The ICC is not making any conclusions or recommendations at this time on information presented during Phase 1. Information presented during Phase 1 Workshops will be utilized to plan for Phase 2.

#### **Comments Submitted By:**

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**Question:** Do you have comments or questions on the draft Phase 1 Report? The Facilitator and ICC Staff are particularly interested in comments on Section IV, *Topics Identified During Phase 1 Workshops*.

1.A., **Targets, Timelines and Milestones**, includes a robust list of the types of goals and targets that should be “explored,” as well as an exploration of “best practices” from other states with regard to setting and enforcing goals. Phase 2 should provide opportunities to benefit from the experience of early movers in the regulatory space, even where those regulators are not yet achieving the level of needed decarbonization and are continuing to refine their practices. For example, in New York State, despite the existence of statutory economy-wide decarbonization goals and electric sector decarbonization goals, and despite statutory obligations for all state entities to ensure that their actions are supportive of those goals, the Public Service Commission appears to have difficulty, in the absence of natural-gas-specific goals, discerning whether gas utilities’ plans are in alignment with state goals.<sup>1</sup>

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<sup>1</sup> See Comments of the Institute for Policy Integrity at NYU School of Law and the Guarini Center on Environmental, Energy and Land Use Law to the New York Department of Environmental Conservation and the New York State Energy Research and Development Authority regarding the New York Cap-and-Invest Program (March 15, 2024), [https://policyintegrity.org/documents/Policy\\_Integrity\\_and\\_Guarini\\_Center\\_Comments\\_on\\_NY\\_Cap-and-Invest\\_Program\\_March\\_2024.pdf](https://policyintegrity.org/documents/Policy_Integrity_and_Guarini_Center_Comments_on_NY_Cap-and-Invest_Program_March_2024.pdf) [hereinafter, Policy Integrity/Guarini NYCI Comments] at 13-15. The New York Public Service Commission has now (more than two years after its May 2022 Order Adoption Gas System Planning Process) opened a further inquiry in its gas planning proceeding, posing a series of

2.A.c., **Building Stock and Commercial/Industrial Status**, concerns the exploration of “the status of building stock” to “determine the potential for electrification or the other use of low-carbon/carbon-free emission technologies.” In addition to inventorying the physical building typologies, which determine the available technology solution set, Phase 2 should assess (or identify pathways to assess) ownership and leasehold structures of existing and planned building stock. This assessment is necessary because even where alternative technologies and/or fuels have the potential to do the same work at lower cost than current technologies, institutional arrangements such as space leases can split incentives in ways that make it unlikely or impossible for the market to adopt low-cost solutions without mandates or subsidies.<sup>2</sup> In the context of multifamily housing, these dynamics can give rise to equity challenges, by reducing landlords’ incentive to adopt modern electric heating and/or causing tenants to experience increased housing-related costs based on landlord decisions. Early identification of such issues will provide policymakers with time and data to craft solutions that are tailored to these real-estate-related challenges.

2.A.d., **Comparative Decarbonization Data**, lists 16 subject areas in which Phase 2 should consider both natural gas and alternatives to it. Focusing on systematic comparisons of various alternatives in a structured way can appropriately avoid baking in assumptions about the status quo that may be incorrect or subject to change as the energy transition continues. However:

1. Please clarify what types of resources are included in the phrase “natural gas and alternatives.” The relevant Phase 2 inquiry should include both fuel- and non-fuel alternatives (including options like electrification and efficiency).
2. The “comparative decarbonization data” list should include lifecycle emissions analyses of natural gas as well as alternatives, along differing time horizons and examining a variety of scenarios and sensitivities. For alternative fuels, these analyses must be pathway- and/or feedstock-specific, because the lifecycle emissions of a fuel depends not merely on its name (for example, “renewable natural gas”) nor on its chemical content (for example, “methane”) but on its production pathway (for example, the original source of the waste biogas, and whether the process by which it was brought to market caused a net global increase or decrease in total methane emissions). Without such analyses, regulators risk selecting pathways that do not support long-term decarbonization, and could yield short-term emissions reductions while locking in long-term barriers to achieve mandated reductions.
3. Affordability considerations should include energy transition impacts on total household energy burden (including bills for non-utility fuels, such as gasoline for vehicles), and should include the perspectives of customers who adopt alternatives and customers that remain with status quo technologies and fuels.
4. For properties with varying ownership structures, considering “market readiness” must include, in addition to the commercial readiness of new technologies and fuels,

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questions, which generally concern planning and system additions during the past two years as well as how non-pipeline alternatives are examined and/or pursued. See New York Public Service Commission, Case 20-G-0131, Proceeding on Motion of the Commission in Regard to Gas Planning Procedures, Notice Seeking Further Comments (July 3, 2024), <https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={80ED7990-0000-C215-B3CA-95C96089FC2B}>.

<sup>2</sup> For a discussion of how these issues might affect market-based heat pump adoption in New York, see Policy Integrity/Guarini NYCI Comments at 6-8.

examining institutional barriers that could hinder building owners, operators, and/or occupants from adopting such new technologies and fuels.

2.B.c., **Standards, Metrics, and Evaluation Criteria and Accountability.** Among other important items, this category includes exploring “using social determinates of health to track impacts” and “benefit cost evaluation frameworks.” With respect to these Phase 2 items:

1. Please clarify the meaning of “using social determinates of health to track impacts.”
2. When exploring health impacts of air emissions reductions associated with changes to technology, infrastructure, fuels, or energy system operational practices, consider assigning monetary values to benefits, like avoided mortality, that can be rigorously estimated based on the Value of Statistical Life. Such values play a critical role in ensuring that any benefit-cost analysis can accurately identify options with lower total societal costs.
3. Where exploring benefit-cost analysis frameworks, ensure that the resulting frameworks are structured to be deployed in a technology- and fuel-neutral manner, paying close attention to the importance of baseline assumptions that could inadvertently stack the deck against natural-gas alternatives. To the extent that utilities’ ordinary-course construction of conventional natural gas infrastructure is subjected to lower benefit-cost scrutiny than non-pipeline alternatives (or even no scrutiny at all), such a practice stacks the deck against alternatives.
4. To the extent Phase 2 concerns how benefit-cost analysis may inform agency decisionmaking, Phase 2 should also examine using distributional analyses to systematically identify particularized burdens on vulnerable populations or communities and the distribution of benefits<sup>3</sup> (and not solely the gross benefits and costs).

2.C.c., **Commissioning Information.** This item closely mirrors a recommendation Policy Integrity made in our Workshop #6 comments, and we appreciate its inclusion in the draft Phase 1 Report. However, in this context, the reference to “electric utilities” should be amended to refer to “electric or gas utilities,” and not solely to electric utilities.

3.B. **Alternative Carbon-Emission-Free or Low-Carbon-Emissions Technologies for Consideration include, but are not limited to.** With respect to all the items listed under this header, Phase 2 should not take for granted without analysis that they are in fact “carbon-emission-free” or “low-carbon-emissions”. Phase 2 should include consideration of the lifecycle emissions of these resources (including accounting for specific production pathways) and their usefulness in supporting decarbonization at various points in time. As noted above, without such analysis, regulators risk selecting pathways that do not support decarbonization, or that yield short-term emissions reductions while locking in long-term barriers to further reductions.

3.B.b. **Renewable Natural Gas/Waste-Derived Biofuels.**

1. With respect to renewable natural gas and waste-derived biofuels, Phase 2 should include separate consideration of the lifecycle greenhouse gas emissions of particular renewable natural gas pathways and feedstocks.
2. Moreover, the current supply of renewable natural gas is limited, and policy signals providing favorable treatment for natural gas could result in greater supplies of renewable natural gas, which could push down natural gas prices with unclear net

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<sup>3</sup> See *generally* Revesz, Richard L. and Unel, Burcin, Just Regulation: Improving Distributional Analysis in Agency Rulemaking (December 27, 2022). Ecology Law Quarterly, Forthcoming, NYU School of Law, Public Law Research Paper No. 23-26, Available at SSRN: <https://ssrn.com/abstract=4314142> or <http://dx.doi.org/10.2139/ssrn.4314142>.

effects on emissions. Additionally, as the draft Phase 1 Report already recognizes indirectly, greater demand for renewable natural gas could induce greater supply and associated greenhouse gas emissions from the livestock industry, including incentivizing agricultural operations to produce more methane, such as by switching to wet lagoon manure storage or increasing operation size. Broadly, an awareness of the overall limits on renewable natural gas availability, and the possibility that its lifecycle greenhouse gas impacts may shift over time in part as a result of how it is used, should inform the Phase 2 consideration of the role of renewable natural gas in Illinois's energy transition. This examination should include an inquiry into the consequences of inducing additional methane production, including the risk of incremental methane leakage, and whether such additional production will be consistent with state climate goals.

**3.B.c., Other Clean or Lower Carbon Gases or Liquids.** The draft Phase 1 report refers to “hydrogen, and other gaseous or liquid fuels with lifecycle carbon dioxide emissions lower than their natural gas counterparts.” Please clarify that this phrasing is not meant to indicate that hydrogen or any other fuels necessarily have lifecycle carbon dioxide emissions lower than natural gas. Phase 2's consideration of the emissions intensity of any purportedly “clean or lower carbon” fuels, including hydrogen, should include a full accounting for lifecycle emissions of various pathways over various time horizons. For example, in the case of hydrogen, many production pathways are emissions-intensive; to avoid creating policies that support the production of high-emissions hydrogen, Phase 2 should explore adopting established best practices for verifying that hydrogen production does not increase emissions: considering only electrolytic hydrogen as qualifying, and requiring that electrolytic hydrogen to satisfy incrementality, hourly matching, and deliverability.<sup>4</sup>

**3.C.g., Fuel Diversity.** Phase 2 should consider *resource diversity broadly*, not merely “fuel” diversity, in its examination of reliability, resilience and security. For example, Phase 2 should consider energy storage as part of a diverse portfolio of resources capable of supporting reliability, resilience, and security.

**4.A.g., Gas Investment Drivers.** Because investments in the existing natural gas system increase the overall capital invested in the system, any later reductions in the extent of that system (i.e., reductions in how much of that infrastructure remains in place) can become more costly due to increased stranded asset costs. Therefore, Phase 2 should examine gas investment “needs” in a clear-eyed manner, without assuming that conventional gas system investments are the best or only way to address requests for new gas service, obsolescence, or even safety and reliability issues. Rather, for the various drivers of system investment “need,” Phase 2 should consider conventional infrastructure investment options as well as alternatives, if any, that would address the same “needs.” (4.B.e., **Risk Reducing Strategies**, includes the need to explore some strategies to reduce stranded infrastructure risk, such as reducing capital spending by repairing versus replacing; these strategies should inform any exploration of total gas system investment need.)

**4.B.f., Interstate Pipelines.** In addition to “explor[ing] the impacts of decarbonization on interstate pipelines and the backbone of the natural gas system,” Phase 2 should also examine the ICC's role in overseeing its regulated entities' efforts to procure additional gas capacity, and

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<sup>4</sup> See Dena Adler & Matthew Lifson, Inst. for Pol'y Integrity, *Hydrogen Co-Firing and the EPA's Greenhouse Gas Limits for Power Plants* (2024), [https://policyintegrity.org/files/publications/Hydrogen\\_Report\\_v3.pdf](https://policyintegrity.org/files/publications/Hydrogen_Report_v3.pdf), at 11-15.

how enhanced ICC oversight might further mitigate or avoid any risk that Illinois ratepayers will be burdened by costly over-commitment to unnecessary interstate pipelines.

5.A.a., **Open Market Options.** Please clarify the definition of “energy independence” as used in 5.A.a.

6.E., **Quantifying Societal Costs.** “Quantifying” societal costs might be done in units other than dollars (e.g., numbers of deaths from air pollution), whereas “monetizing” societal costs refers to expressing those costs in dollars. Wherever possible, Phase 2 should examine the feasibility of *monetizing* societal costs, not merely quantifying. Monetizing makes it possible to compare societal costs such as public health harms (or benefits such as avoided public health harms) to other types of costs and benefits as part of a comprehensive analysis. The reference in this paragraph to “the societal cost of carbon, methane, and other pollutant emissions” appears to contemplate monetization, but regulators in other states seem to ignore the monetary costs of non-greenhouse-gas pollutants, even though those can and should also be monetized when determining societal cost.<sup>5</sup> For this reason, this document should specify that Phase 2 will consider how to *monetize* the societal cost of both greenhouse-gas pollutants and non-greenhouse-gas pollutants.

7A.d., “Protecting multi-family customers from bill increases when heat is included in rent and building is electrified.” This appears to refer to the risk that, where tenants in multifamily buildings currently do not pay directly for heat that is provided by natural gas through a central building system, electrification of heat will result in higher electric bills *without an offsetting reduction in rent*, resulting in higher *total* monthly cost for *housing and household energy*. This risk will exist regardless of whether the tenants in question are currently direct utility customer with their own utility meters, or whether they are billed for a share of the total building utility electric bill. The commission should clarify that the concern is not an increase specifically in electric bills, but an increase in the total burden of household-related costs for occupants of multifamily housing, regardless of how the household pays for electricity and/or heat before and after the switch.

8.C., **Environmental Impacts of the Generation Fleet Transition.** Although moving from coal generation to natural gas generation may result in short-term greenhouse gas emissions reductions,<sup>6</sup> the construction of additional natural gas generation and natural gas pipeline infrastructure to serve it may ultimately increase the cost of transitioning to emissions-free electric generation in the long term by prolonging the use of fossil fuels. Phase 2 should examine the impact of changes in electric generation at various points in time, whether the resulting total electric systems emissions are consistent with state goals at various points in time, and the relative costs of various transition pathways.

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<sup>5</sup> The calculations are more involved compared to greenhouse gas emissions because the values are not global, which means that the harm must be calculated based on the population that will be exposed to the pollution (or the benefit based on the population that can be *spared* exposure), but the values are not zero. It is possible to quantify benefits from non-greenhouse-gas emissions using various modelling tools. Several tools exist for estimating the monetary value of damage done, including BenMAP, EASIUR, AP2, and the Co-Benefits Risk Assessment (COBRA). See Justin Gundlach & Burcin Unel, Inst. for Pol’y Integrity, Getting the Value of Distributed Energy Resources Right (2019), [https://policyintegrity.org/files/publications/Getting\\_the\\_Value\\_of\\_Distributed\\_Energy\\_Resources\\_Right.pdf](https://policyintegrity.org/files/publications/Getting_the_Value_of_Distributed_Energy_Resources_Right.pdf), at 21-22.

<sup>6</sup> Whether this is in fact the case depends on the magnitude of upstream and midstream methane leakage in the natural gas system.

11.A., **Aggregation of Utility Rates and Planning.** In addition to considering electric and gas rates in aggregate, depending on the scope of the inquiry (the draft Phase 1 Report mentions transportation electrification at least twice), Phase 2 may need to examine the aggregate impact of gas rates, electric rates, and estimated gasoline pricing.