Illinois Commerce Commission (ICC)
Future of Gas Workshops: Phase 1
Written Comment Template for Draft Phase 1 Report

July 12, 2024

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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*.

Dear Ms. Johnson and ICC Staff,

The Midwest Energy Efficiency Alliance (MEEA) submits the following answers to the question above posed by the Facilitator of the Illinois Future of Gas Workshops and the Illinois Commerce Commission (the Commission, or ICC) staff.

MEEA is a collaborative network, promoting energy efficiency to optimize energy generation, reduce consumption, create jobs and decrease carbon emissions in all Midwest communities. At MEEA, we leverage our expertise to be the Midwest's leading resource for our members, allies, policymakers and the broader industry to promote energy efficiency as the essential pathway to achieve a clean, affordable, equitable and sustainable future. We see energy efficiency as the least-cost foundation of the clean energy economy, creating immediate energy savings, providing career pathways, reducing emissions, improving new and existing buildings and boosting Midwest business and industries. MEEA develops connections and engagement opportunities for a diverse group of organizations to collaboratively create practical solutions. MEEA serves as a technical resource, promotes program and policy best

practices and highlights emerging technologies, all to maximize energy savings, reduce costs, improve resiliency and lower energy burden.

MEEA is a nonpartisan organization made up of 170+ diverse members including 96 member organizations based or working in Illinois. MEEA's members include energy service companies, state and local governments, electric and gas utilities, academic and research institutions, and community-based organizations throughout thirteen states in the Midwest.

Energy efficiency (EE) means doing the same, or more, with less energy. This includes retrofitting old, inefficient technology, improving processes, and promoting behaviors that reduce energy consumption. As the most affordable way to meet Illinois' energy needs compared to other generation sources, EE greatly benefits customers, utilities and communities, regardless of the source fuel used. In the Midwest, the average levelized cost of one megawatt hour saved with EE is between $18 and $24 – cheaper than any other generation source. Throughout the Midwest the cost of other generation sources ranges from $28 for solar to $204 for nuclear per megawatt hour. For customers, EE means lower energy bills and lower operating costs for businesses. For utilities, EE results in a more reliable and resilient energy system, avoided energy and capacity charges, reduced customer arrears and collections and better customer relations. For communities, EE leads to better public health, lower emissions and good local jobs.

We commend the Commission for establishing this series of workshops and the collaborative process to explore the issues arising from decarbonization in the gas distribution system in Illinois. MEEA is grateful for the opportunity to address Section IV, *Topics Identified During Phase 1 Workshops.* Given the breadth of topics to be covered in Phase 2, we urge the ICC to prioritize energy efficiency as a primary decarbonization strategy. MEEA's specific comments follow below.

Topic 2 Foundational Data and Methodologies

MEEA echoes the need for quality data to inform any decarbonization plan. MEEA supports the Commission determining what data is needed, methodologies for collection, and what education is needed for stakeholders, including disadvantaged communities, to form positions and provide feedback to the Commission. Energy benchmarking as a method for gathering usage data helps buildings and end-users understand their energy consumption and identify opportunities for improved efficiency and reduction. Additionally, existing utility programs have access to real time energy data through their smart thermostat and demand response programs. The Commission should explore ways to disaggregate this valuable real-time data to alleviate any privacy concerns with sharing it publicly.

Topic 3 Decarbonization Pathways

We endorse the Commission listing End Use Natural Gas Energy Efficiency as a topic to explore in Phase 2 in Section 3(A)(a) on p. 24. A full exploration of how end-use natural gas EE can contribute to Illinois' energy future will greatly assist in providing the benefits the Commission seeks with this process. EE has proven to be the "least-cost resource" costing utilities less per kWh or therm than any other energy resource.[1] Pursuing EE regardless of fuel source creates immediate energy savings, reduces emissions and improves grid reliability and resiliency. Even under the most rapid decarbonization and electrification scenario, gas appliances won't disappear overnight. For example, highly efficient electric air source heat pumps have now outsold gas furnaces nationally for two years in a row but new gas furnaces, which will likely last 20 years, remain popular and widely available. Nearly 3 million gas furnaces shipped in the US in 2023 according to the Air-Conditioning, Heating and Refrigeration Institute.[2] Additionally, some customers will elect to choose dual fuel heat pumps, keeping their gas furnace for occasional backup. So long as gas appliances continue to be sold in Illinois, customers should be able to benefit from end use natural gas EE programs.

We support the Commission including non-end-use natural gas efficiency as a topic meriting further exploration in sub-bullet A(b) on p. 24. Efficiencies throughout the gas stream benefit consumers and communities alike. Further, MEEA also favors including Natural Gas Demand Response and Rate Design considerations (sub-bullets A(c) and A(d) on p. 24). Natural gas demand response is an effective tool in reducing demand strain and provides economic and environmental benefits. Exploring how to make future rate structures equitable and affordable throughout the transition will have a significant impact on the issues raised in Topic 7 Equity, Environmental Justice and Community Issues. Innovative rate structures can also motivate end users to modify their behaviors. Reducing usage in periods of high demand can benefit consumers financially and reduce grid strain and emissions.

With respect to sub-bullet C(a)(i) on p. 26, MEEA appreciates the Commission including an exploration of an efficiency-first approach to electrification. Importantly, if a customer decides to pursue electrification, it is critical to first ensure that energy efficiency is maximized. Customers will only see benefits from electrification if their structure is weatherized and as efficient as possible. Putting a heat pump in a leaky building will ultimately harm the end user, as the customer will certainly see bill increases. Additionally, without efficiency, electrified end uses will contribute additional and unnecessary strain to the grid, further stressing the electricity infrastructure. EE also

[1] Lappas, Maria (2021). *Paving the Way for Decarbonization and Electrification: Energy Efficiency's Role in an Integrated and Modernized Energy System* [White Paper]. Retrieved July 1, 2024 from Midwest Energy Efficiency Alliance: https://www.mwalliance.org/sites/default/files/meea-research/final_pae.pdf , p. 6.
[2] Spencer, Regan. AHRI Releases December 2023 U.S. Heating and Cooling Equipment Shipment Data (2024, February, 9). Retrieved July 1, 2024 from Air-Conditioning, Heating, and Refrigeration Institute: https://www.ahrinet.org/system/files/2024-02/December%202023%20Statistical%20Release.pdf

lowers energy intensity and improves grid reliability and resiliency as demand on the electric grid grows due to increased electrification. MEEA supports these call-outs by ICC staff.[3] In sum, EE is a critical resource to be dispatched as Illinois pursues its goal of 100% carbon-free power by 2045.

Topic 5 Customer Choice and Protections

Regarding sub-bullet B. Education, on p. 29, which reads "Explore what education is necessary to inform consumers, businesses, governments and communities regarding the natural gas decarbonization transition including general information on the transition and specific information on fuel and technology options." The Commission should add energy efficiency options to this exploration sub-bullet. Given that EE is the least-cost energy resource and can lower customers' energy bills, educating consumers, businesses, governments and communities about EE options will be critical to helping make the transition more affordable.

Topic 6 Cost and Affordability Considerations

MEEA appreciates ICC staff including an exploration of how to address aging housing stock in sub-bullet F on p. 30. We ask the Commission to include energy efficiency measures within this exploration. As MEEA raised above in our Topic 3 comments, customers with older homes who choose to pursue electrification will likely see bill increases if their structure is not properly weatherized and operating as efficiently as possible. Importantly, there are several EE programs available for these customers to ensure communities throughout Illinois can benefit equitably from energy efficiency and electrification. CEJA required a significant amount of existing EE program budgets be dedicated to supporting EE in income-qualified homes. These requirements significantly reduce upfront costs of retrofits making EE affordable at a low return on investment. Energy efficiency will be a critical component in mitigating cost increases to low-income customers throughout this energy transition.

Topic 7 Equity, Environmental Justice and Community Issues

Under sub-bullet A. Impacts to Communities on p. 30, the Commission should consider the non-energy impacts of energy efficiency (NEIs) associated with the natural gas decarbonization transition on low-income and marginalized communities. Low-income customers have the same types of NEIs as non-low-income customers, but the magnitude of these impacts can be much higher. This is because low-income customers have a higher energy burden relative to income and often live in much less efficient housing stock. The energy efficiency improvements are therefore closing a much wider gap than they would be for higher-income customers. Some NEIs such as

[3] Lappas, 2021, p. 7.

the reduced risk of foreclosure or need to change residence due to unpaid bills are unique to this subset of customers.

MEEA also recommends the ICC explore strategies to make sure low-income and marginalized communities can appropriately benefit from EE programs to address any weatherization or other building efficiency issues prior to electrification. Specifically, low-income customers are more likely to live in leaky buildings and less likely to have the capital required to make significant EE related building improvements. As referenced above in our comments on Section 3, putting an electric heat pump or installing solar in a leaky building ultimately leads to bill increases. We encourage the Commission to prioritize energy efficiency in this topic in Phase 2.

Topic 8 Electric Utility Considerations

Under sub-bullet B. Resource Adequacy, Reliability, and Resiliency on p. 31, the Commission should add a sub-bullet on energy efficiency to ensure an exploration of how EE measures can contribute towards electric resource adequacy, reliability and resiliency as demand on the electric grid increases is included in Phase 2. Energy efficiency and demand response will be critical tools in ensuring our grid is not overwhelmed by future demand increases. Importantly, newer tools like virtual power plants and grid-enhancing technologies will assist grid operators in utilizing existing grid resources more effectively. These technologies tend to be extremely cost-effective and warrant conversation in Phase 2 as ways to contribute to decarbonization as electricity usage increases.

Topic 10 Workforce Considerations

The Draft Report includes an excellent list of workforce considerations. As the Commission explores these considerations in Phase 2, EE jobs should be of particular interest as EE accounted for over 84,000 jobs in Illinois in 2023.[4] These EE jobs range from construction, engineering, sales, auditing and manufacturing. There are quality family-sustaining career opportunities throughout the EE sector regardless of educational attainment.

With respect to sub-bullet C. Skill Transference Assessment on p. 32, the Commission should consider not only newly created jobs but existing jobs in EE, and other energy-related industries, to evaluate skill transference. Further, the Commission should look beyond traditional energy-related industries as many skills are likely to transfer to other industry sectors.

[4] Energy Efficient Jobs in America 2023, E4TheFuture, (2023). Retrieved July 11, 2024: https://e4thefuture.org/wp-content/uploads/2023/10/EEJA-National-Summary-2023.pdf.

Topic 11 Utility Structure/Market Structure Issues

We urge the Commission to expand the exploration of planning within this section on p. 33 to include comprehensive long-term planning of energy options with at least a 15–20-year time horizon. Comprehensive long-term plans allow each utility to model various supply and demand scenarios to meet energy and reliability needs. Long-term planning of this nature can be extremely valuable as Illinois communities, customers and utilities attempt to make cost-effective decisions to meet future energy needs while pursuing its decarbonization targets.

The Commission can also look to Minnesota, which has been a regional leader in assessing natural gas planning. The Natural Gas Innovation Act, which passed in 2021, established a framework for gas utilities to file innovation plans exploring alternative resources to natural gas, including renewable natural gas, hydrogen and enhanced energy efficiency.[5] The framework de-risks innovation and encourages utilities to seek big and bold solutions for decarbonization. This effort dovetails with the ongoing workshop series to establish a framework for natural gas integrated resource plans (IRPs). Utilities, advocates and the Minnesota Department of Commerce have been meeting for months to establish guidance on what robust gas planning could look like in Minnesota. Utilities recently submitted their straw proposals, with the goal of filing the region's first gas IRPs in the near future. We recommend the ICC considers these regulatory frameworks in Phase 2.

MEEA supports including an exploration of decarbonization opportunities for Municipal and Cooperative Utilities in sub-bullet G on p. 33. We recommend adding EE opportunities to this section so that stakeholders explore how municipal and cooperative utilities could implement robust EE programs in ways that make sense for their communities.

Thank you for this opportunity to comment on the Phase 1 Report. We encourage ICC Staff and the facilitating team to prioritize energy efficiency as a primary decarbonization strategy. MEEA staff is happy to discuss these comments further as needed. As the region's EE expert with nearly 25 years-experience working with policymakers, utilities, communities and regulators MEEA would gladly serve as a resource to the facilitator and ICC staff in Phase 2. Please contact Kit White, Manager, Legislative & Regulatory Affairs, at kwhite@mwalliance.org.

Sincerely,

Paige Knutsen, Executive Director
Midwest Energy Efficiency Alliance

[5] Minn. Stat. § 216B.2427.