

# Illinois Commerce Commission (ICC) Future of Gas Workshops Phase 2C Legislative and Regulatory Proposals Template

## **Instructions:**

- Using this template, send proposals to the Facilitator, Celia Johnson:  
[Celia@CeliaJohnsonConsulting.com](mailto:Celia@CeliaJohnsonConsulting.com) **by Wednesday, December 3.**
- Include "Phase 2C Proposals" in the subject line of the email.
- Proposals will be posted on the [ICC Future of Gas Workshops website](#).
- Proposals will be presented during an ICC Future of Gas Workshop in fall 2025. Virtual Workshops are planned on Monday, December 8 (8:30 – 11:00 am) and Monday, December 15 (8:30 – 11:00 am). Additional Workshops will be scheduled, if needed.
- **Please note the following:**
  - ICC Staff is seeking initial, specific proposals for regulatory and / or legislative action for decarbonization of the natural gas distribution system in Illinois.
  - Collaboration among stakeholders is strongly encouraged.
  - A Request for Proposals (RFP) for a decarbonization pathways study consultant was released by the ICC in September. The objective of this pending study is to identify several decarbonization pathways and compare these pathways to a business-as-usual reference scenario. Participants will have an opportunity to amend or submit new legislative and/or regulatory proposal(s) following finalization of the pending pathways study.

## **Submitted By:**

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## **Questions:**

1. **Proposal Name:** Illinois Building Gas Efficiency and Decarbonization Act
2. **Type of Proposal:**
  - a. Legislative – A change in existing law or new law
3. **Legislative Proposals:** Please explain the legislative proposal, including:
  - a. Specific legislative language: See attached
  - b. Explanation of proposal

This proposal seeks to create a utility-administered framework to accelerate cost-effective energy efficiency and decarbonization for large facilities. It requires gas and electric utilities, under Illinois Commerce Commission oversight, to design and file targeted programs that lower lifecycle costs, replace aging equipment, and electrify end uses where technically feasible and economical.

The legislation seeks to create a path for gas utilities to offer incentives and financing for “major equipment replacement” that reduces on-site gas use and for electric utilities to provide incentives and financing for electrification of building systems and industrial processes, including building envelope improvements, high-efficiency heat pump chiller and air handling equipment, hybrid heating systems, electric domestic water and process heat, thermal storage, energy recovery systems, HVAC terminal unit modernization, and necessary service, panel, and associated building electrical distribution system upgrades.

One of the major hurdles for major equipment replacement supporting decarbonization is financing. The proposal seeks to overcome upfront capital barriers by requiring utilities to propose at least one Commission-approved alternative financing option (e.g., on-bill repayment or tariffed on-bill) that aligns repayments with expected bill savings, while protecting non-participants from undue risk.

### c. Rationale for proposal

Large buildings/facilities account for significant energy use and are burdened by significant energy costs. Aging equipment persists because of upfront capital constraints, while current marketplace challenges exacerbate the problem. Current gas efficiency programs tend to support smaller projects for large users, but not the types of projects that can result in major efficiency upgrades. Even when lifecycle economics are favorable, limited financing access, misaligned capital cycles, and project complexity can constrain action. This proposal seeks to address those barriers by combining targeted incentives, alternative financing, and clear administration under Commission oversight.

Access to utility-provided or utility-facilitated financing (e.g., on-bill repayment or tariffed on-bill) aligns repayment with expected bill savings, mitigates split incentives, and improves credit access, with Commission review ensuring transparent terms, prudent risk allocation, and safeguards for non-participants.

Real world data support the need for this proposal, or similar incentives/flexible financing options to assist certain large user customer groups. For example, large buildings face economic conditions that make raising capital for these types of projects difficult. Downtown office property values continue to decline due to post-pandemic shifts; office return rates remain near 60%, contributing to reduced occupancy and plummeting valuations. According to CBRE, the Central Business District vacancy rate has reached a record 26.5%, representing roughly 39 million square feet of vacant space and another 2 million square feet available for sublease.<sup>1</sup> In 2024, Crain’s Chicago Business reported 55 downtown properties in financial distress.<sup>2</sup> Recent building sales show value losses of 50% to 90% as tenants reduce footprints, and since the last reassessment, commercial buildings in the Central Loop have lost about \$1.5 billion in market value. In sum, the proposal provides a practical, finance-enabled pathway for large customers

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<sup>1</sup> <https://www.cbre.com/insights/figures/chicago-downtown-office-figures-q3-2025>

<sup>2</sup> <https://www.chicagobusiness.com/commercial-real-estate/chicago-downtown-foreclosure-property-distress-map>

facing capital constraint to modernize equipment and electrify where beneficial, while seeking to provide consumer protections and oversight.

- d. Would this change existing law? If so, please explain.
- e. Would this establish a new law? Yes, it would provide authority for a new proceeding under the Illinois Commerce Commission's authority.

## **Illinois Building Gas Efficiency and Decarbonization Act**

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

### **Section 1. Short Title.**

This Act may be cited as the Illinois Building Efficiency and Decarbonization Act.

### **Section 2. Legislative Findings and Purpose.**

(a) The General Assembly finds that aging building stock and process equipment in large facilities impose significant energy, operational, and environmental costs on Illinois businesses and communities; that cost is a principal barrier to the replacement of inefficient equipment and to the decarbonization of end users currently served by natural gas; and that limited access to affordable financing further inhibits prudent, cost-effective investment in energy efficiency and decarbonization by large customers.

(b) The General Assembly further finds that targeted utility incentive programs, transparent rules, and access to utility-facilitated financing can reduce lifecycle costs, decrease emissions, and enhance system reliability and public health.

(c) It is the purpose of this Act to direct gas and electric public utilities serving Illinois to design and implement cost-effective energy efficiency programs for large commercial customers that (1) provide rebates and incentives to enable major equipment replacement with higher-efficiency alternatives and to enable electrification of applicable end uses; (2) expand access to alternative financing mechanisms provided or facilitated by utilities; and (3) operate transparently with clear eligibility, application, and reporting standards, all under the oversight of the Illinois Commerce Commission.

### **Section 3. Definitions.**

For purposes of this Act: (a) “Commission” means the Illinois Commerce Commission. (b) “Electric utility” and “gas utility” have the meanings ascribed in the Public Utilities Act. (c) “Large commercial customer” means a non-residential customer meeting customer size criteria established by the Commission in rule or order, which may include annual energy consumption, peak demand, facility square footage, and/or tariff class. (d) “Major equipment replacement” means replacement of central or process equipment materially affecting a facility’s on-site natural gas consumption, including but not limited to boilers, furnaces, process heat, space conditioning, building envelope measures affecting gas consumption, and other technologies approved by the Commission. (e) “Electrification” means the installation and use of electric equipment and systems to displace fossil fuel end uses where technically feasible and cost-effective, including high-efficiency heat pumps, thermal storage, and industrial electric process heat. (f) “Alternative financing mechanisms” means on-bill financing or repayment, tariffed on-bill programs, utility-facilitated lease or service agreements, green bonds or other utility-backed instruments, performance contracts, or other Commission-approved arrangements that reduce upfront costs and align repayment with savings. (g) “Cost-effective” means passing

cost-effectiveness screening using Commission-approved tests that account for utility system, participant, and societal benefits, as applicable.

#### **Section 4. Gas Utility Energy Efficiency Program for Large C&I Customers.**

(a) Program requirement. Each gas utility shall, within 180 days after the effective date of this Act, file with the Commission a Large Commercial Customer Energy Efficiency Program plan and associated tariffs or tariff revisions to: (1) Provide incentives that enable major equipment replacement with higher-efficiency natural gas equipment and measures that reduce gas consumption and (2) include alternative financing mechanisms to support major equipment replacement for large commercial customers.

(b) Incentive design. Gas utility programs shall: (1) Offer prescriptive and custom incentives sized to overcome upfront cost barriers and reflect net lifecycle benefits; (2) Allow incentives for comprehensive, multi-measure projects, including process redesign and building envelope improvements; and (3) Permit incentive reservation for planned capital cycles to align with customer procurement timelines.

(c) Alternative financing. Each gas utility shall propose at least one alternative financing mechanism for large commercial customers, subject to Commission approval. Financing offerings shall: (1) Be structured so that expected bill savings reasonably offset repayment obligations for cost-effective projects; (2) Include clear terms, disclosures, and default and transfer provisions; and (3) Ensure non-participating ratepayers are protected from undue risk.

(d) Transparency and access. Program filings shall include: (1) Clear eligibility criteria; measurable lists and custom project pathways; application procedures; and standard incentive and financing terms; (2) Publicly available program manuals, application forms, and processing timelines; (3) A customer support function for technical assistance; and (4) Reporting on program budgets, participation, realized savings, outcomes, and geographic and sectoral distribution.

(e) Coordination. Gas utilities shall coordinate with electric utilities to support dual-fuel projects, align incentive timing, share non-confidential technical data, and provide a single-point-of-contact option for customers pursuing electrification that affects both gas and electric usage.

#### **Section 5. Electric Utility Decarbonization and Energy Efficiency Program for Large Customers.**

(a) Program requirement. Each electric utility shall, within 180 days after the effective date of this Act, file with the Commission a Large Commercial Customer Decarbonization and Energy Efficiency Program plan and associated tariffs or tariff revisions to: (1) Provide rebates and incentives to enable electrification of large commercial buildings and processes; and (2) include alternative financing mechanisms to support electrification for large commercial customers.

(b) Incentive design. Electric utility programs shall: (1) Offer prescriptive and custom incentives for electrification equipment and enabling upgrades, including service upgrades, panel and wiring, thermal storage, and controls; (2) Prioritize projects that reduce total lifecycle costs and emissions while maintaining or improving reliability and productivity; and (3) Support comprehensive projects and phased conversions aligned with facility capital planning.

(c) Alternative financing. Each electric utility shall propose at least one alternative financing mechanism for large commercial customers, subject to Commission approval. Financing offerings shall: (1) Be structured so that expected bill savings reasonably offset repayment obligations for cost-effective projects; (2) Include clear terms, disclosures, and default and transfer provisions; and (3) Ensure non-participating ratepayers are protected from undue risk.

(d) Transparency and access. Electric utility program filings shall include the elements in Section 4(d).

(e) Coordination. Electric utilities shall coordinate with gas utilities on dual-fuel projects and provide joint applications where practicable.

## **Section 60. Rulemaking and Commission Oversight.**

(a) The Commission shall adopt rules, orders, or guidance necessary to implement this Act.

(b) The Commission shall review and approve or modify utility Program filings after notice and opportunity for public comment.

(c) The Commission may require modifications to ensure that Programs are cost-effective, transparent, and aligned with the purposes of this Act.

## **Section 7. Cost Recovery and Accounting.**

(a) Program costs, including incentives, administration, financing support costs, measurement and verification, and reasonable marketing and education, shall be recoverable in rates, subject to Commission approval, through riders or other cost-recovery mechanisms that ensure transparency and protect ratepayers.

(b) Utilities shall track and report Large Commercial Customer Decarbonization and Energy Efficiency Program expenditures and savings.

## **Section 8. Customer Protections.**

(a) Participation is voluntary. Program materials and financing agreements shall include clear disclosures of terms, expected savings, and risks.

(b) For tariffed on-bill offerings, obligations shall be tied to the meter and shall be transferable to subsequent customers with notice and disclosure.

(c) Customer data privacy shall be protected consistent with Commission rules.

## **Section 9. Reporting and Evaluation.**

(a) Each utility shall file an annual report with the Commission detailing program participation, expenditures, verified savings and demand impacts, decarbonization metrics, financing uptake and performance, customer satisfaction, and progress toward performance targets.

(b) Independent evaluation, measurement, and verification shall be conducted at least biennially under Commission supervision. The Commission may require program modifications based on evaluation findings.

## **Section 10. Interaction with Other Laws and Programs.**

(a) Programs under this Act shall be coordinated with existing demand-side management, beneficial electrification, and building decarbonization initiatives to maximize net benefits and minimize administrative burden.

(b) Stacking of incentives under the Programs with other federal, state, and local incentives shall not be prohibited.

## **Section 11. Severability.**

If any provision of this Act or its application is held invalid, the invalidity does not affect other provisions or applications that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.