HB3650

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104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB3650

Introduced 2/18/2025, by Rep. Camille Y. Lilly

SYNOPSIS AS INTRODUCED:

See Index

Amends the Energy Transition Act. Adds electrification industries to clean energy jobs. Amends the Public Utilities Act. Provides that a gas utility may cease providing service if the Illinois Commerce Commission determines that adequate substitute service is available at a reasonable cost to support the existing end uses of the affected utility customers. Provides for cost-effective energy efficiency measures for natural gas utilities that supersede existing provisions concerning natural gas energy efficiency programs and take effect beginning January 1, 2025. Provides that gas main and gas service extension policies shall be based on the principle that the full incremental cost associated with new development and growth shall be borne by the customers that cause those incremental costs. Provides that, no later than 60 days after the effective date of the amendatory Act, the Commission shall initiate a docketed rulemaking reviewing each gas public utility tariff that provides for gas main and gas service extensions without additional charge to new customers in excess of the default extensions as specified in administrative rule. Adds the Clean Building Heating Law Article to the Act, with provisions concerning emissions standards for heating in buildings, as well as related and other provisions. Adds the 2050 Heat Decarbonization Standard Article to the Act, with provisions concerning options for compliance, measures for customer emission reduction, customer emission reductions, tradable clean heat credits, banking of emission reductions, equity in emission reductions, enforcement, the 2050 Heat Decarbonization Pathways Study, gas infrastructure planning, a study on gas utility financial incentive reform, and reporting requirements. Adds the Statewide Navigator Program Law Article to the Act, with provisions concerning creation of a statewide navigator program, as well as related and other provisions. Effective immediately.

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A BILL FOR

AN ACT concerning regulation.

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

Section 5. The Energy Transition Act is amended by changing Section 5-25 as follows:

(20 ILCS 730/5-25)

(Section scheduled to be repealed on September 15, 2045)

Sec. 5-25. Clean Jobs Curriculum.

(a) As used in this Section, "clean energy jobs", subject to administrative rules, means jobs in the solar energy, wind energy, energy efficiency, energy storage, solar thermal, green hydrogen, geothermal, electric vehicle industries, electrification industries, other renewable energy industries, industries achieving emission reductions, and other related sectors including related industries that manufacture, develop, build, maintain, or provide ancillary services to renewable energy resources or energy efficiency products or services, including the manufacture and installation of healthier building materials that contain fewer hazardous chemicals. "Clean energy jobs" includes administrative, sales, other support functions within these industries and other related sector industries.

(b) The Department shall convene a comprehensive

stakeholder process that includes representatives from the State Board of Education, the Illinois Community College Board, the Department of Labor, community-based organizations, workforce development providers, labor unions, building trades, educational institutions, residents of BIPOC and low-income communities, residents of environmental justice communities, clean energy businesses, nonprofit organizations, worker-owned cooperatives, other groups that provide clean energy jobs opportunities, groups that provide construction and building trades job opportunities, and other participants to identify the career pathways and training curriculum needed for participants to be skilled, work ready, and able to enter clean energy jobs. The curriculum shall:

(1) identify the core training curricular competency areas needed to prepare workers to enter clean energy and related sector jobs;

(2) identify a set of required core cross-training competencies provided in each training area for clean energy jobs with the goal of enabling any trainee to receive a standard set of skills common to multiple training areas that would provide a foundation for pursuing a career composed of multiple clean energy job types;

(3) include approaches to integrate broad occupational training to provide career entry into the general construction and building trades sector and any remedial

education and work readiness support necessary to achieve educational and professional eligibility thresholds; and

(4) identify on-the-job training formats, where relevant, and identify suggested trainer certification standards, where relevant.

(c) The Department shall publish a report that includes the findings, recommendations, and core curriculum identified by the stakeholder group and shall post a copy of the report on its public website. The Department shall convene the process described to update and modify the recommended curriculum every 3 years to ensure the curriculum contents are current to the evolving clean energy industries, practices, and technologies.

(d) Organizations that receive funding to provide training under the Clean Jobs Workforce Network Program, including, but not limited to, community-based and labor-based training providers, and educational institutions must use the core curriculum that is developed under this Section.

(Source: P.A. 102-662, eff. 9-15-21.)

Section 10. The Public Utilities Act is amended by changing Sections 1-102, 8-101, 9-229, 9-241, and 16-111.10 and by adding Sections 1-103, 3-128, 8-104B, 9-228.5, 9-235, 9-254, and 9-255, and Articles XXIII, XXIV, and XXV as follows:

(220 ILCS 5/1-102) (from Ch. 111 2/3, par. 1-102)

Sec. 1-102. Findings and Intent. The General Assembly finds that the health, welfare, and prosperity of all Illinois citizens require the provision of adequate, efficient, reliable, affordable, environmentally safe, and least-cost public utility services at prices which accurately reflect the long-term cost of such services and which are equitable to all citizens. It is therefore declared to be the policy of the State that public utilities shall continue to be regulated effectively and comprehensively. It is further declared that the goals and objectives of such regulation shall be to ensure:

(a) Efficiency: the provision of reliable and affordable energy services that meet the State's climate and emissions reduction targets at the lowest societal ~~least possible~~ cost to the citizens of the State; in such manner that:

(i) physical, human, and financial resources are allocated efficiently and equitably;

(ii) all supply and demand options are considered and evaluated using comparable terms and methods in order to determine how utilities shall meet State emissions reduction targets and their customers' demands for public utility services at the lowest societal ~~least~~ cost;

(iii) utilities are allowed a sufficient return on

investment so as to enable them to attract capital in financial markets at competitive rates;

(iv) tariff rates for the sale of various public utility services are authorized such that they accurately reflect the cost of delivering those services and allow utilities to recover the total costs prudently and reasonably incurred;

(v) variation in costs by customer class and time of use is taken into consideration in authorizing rates for each class.

(b) Environmental Quality: the protection of the environment, people, and communities from the adverse external costs of public utility services, including environmental costs, so that:

(i) environmental costs of proposed actions having a significant impact on the environment and the environmental impact of the alternatives are identified, documented, monetized, included in assessments of cost, and considered in all aspects of the regulatory process;

(ii) the prudently and reasonably incurred costs of environmental controls are recovered.

(c) Reliability: the ability of utilities to provide consumers with public utility services under varying demand conditions in such manner that suppliers of public utility services are able to provide service at varying

levels of economic reliability giving appropriate consideration to the costs likely to be incurred as a result of service interruptions, and to the costs of increasing or maintaining current levels of reliability consistent with commitments to consumers.

(d) Equity: the fair treatment of consumers, including equity investment eligible persons and equity investment eligible communities, as defined in the Energy Transition Act, and investors in order that

(i) the public health, safety, and welfare shall be protected;

(ii) the application of rates is based on public understandability and acceptance of the reasonableness of the rate structure and level;

(iii) the cost of supplying public utility services is allocated to those who cause the costs to be incurred;

(iv) if factors other than cost of service are considered in regulatory decisions, the rationale for these actions is set forth;

(v) regulation allows for orderly transition periods to accommodate changes in public utility service markets;

(vi) regulation does not result in undue ~~or sustained~~ adverse impact on utility earnings;

(vii) the impacts of regulatory actions on all

sectors of the State are carefully weighed;

(viii) the rates for utility services are affordable and, therefore, ensure and preserve the availability and accessibility of such services to all customers, and customers are not energy burdened or severely energy burdened ~~citizens~~.

As used in this subsection (d):

(I) "Energy burdened" means, with respect to a customer's household, that the household pays 6% or more of its income toward electricity and gas bills.

(II) "Severely energy burdened" means, with respect to a customer's household, that the household pays 10% or more of its income toward electricity and gas bills.

(e) Affordability: the ability of utilities to ensure uninterrupted access to essential utility service; to minimize and reduce over time the number of households who are energy burdened and severely energy burdened, as defined in this Act, ideally to zero; and to minimize disconnections to residential customers in a manner which ensures that:

(i) all low-income customers, defined as those whose income is less than or equal to 80% of the area median income, as defined by the United States Department of Housing and Urban Development, have access to a discounted utility rate;

(ii) low-income customers 65 years of age or older are not disconnected from essential utility service due to inability to afford the monthly bill;

(iii) low-income customers with children under the age of 6 are not disconnected from essential utility service due to inability to afford the monthly bill;

(iv) persons with medical conditions are not disconnected from essential utility service if a medical or qualified professional as described in subsection (b) of Section 8-202.7 certifies that the condition will be exacerbated by disconnection from essential utility service;

(v) disconnection of essential utility service is not accelerated based on a utility's payment risk assessment of a customer; and

(vi) a utility assesses whether a customer may be eligible for energy assistance programs under the Energy Assistance Act, provides the customer with specific information on where and how to obtain energy assistance, and ceases disconnection activity for 60 days to allow the customer to apply for and establish eligibility for the energy assistance.

It is further declared to be the policy of the State that this Act shall not apply in relation to motor carriers and rail carriers as defined in the Illinois Commercial Transportation Law, or to the Commission in the regulation of such carriers.

Nothing in this Act shall be construed to limit, restrict, or mitigate in any way the power and authority of the State's Attorneys or the Attorney General under the Consumer Fraud and Deceptive Business Practices Act.

(Source: P.A. 92-22, eff. 6-30-01.)

(220 ILCS 5/1-103 new)

Sec. 1-103. Commission methodologies and metrics. The Commission shall oversee the objectives identified in Section 1-102 by establishing and implementing methodologies for tracking each of the following metrics:

(1) Environmental costs: The Commission shall establish a social cost of greenhouse gases, measured in dollars per ton of carbon dioxide equivalent, that shall serve as a monetary estimate of the value of not emitting a ton of greenhouse gas emissions. The Commission shall consider prior or existing estimates of the social cost of carbon issued or adopted by the federal government, appropriate international bodies, or other appropriate and reputable scientific organizations. The social cost of greenhouse gases shall:

(A) estimate the emissions for all relevant greenhouse gases, including carbon, methane, nitrous oxide, hydrofluorocarbons and hydrofluoroolefins, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride;

(B) consider the fullest geographic and temporal scope of damages;

(C) for the purposes of this Act, the cost of greenhouse gas emissions is no less than the cost per metric ton of carbon dioxide equivalent emissions, using the 2.5% discount rate, listed in Table ES-1 of "Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide Interim Estimates under Executive Order 13990", a report prepared in support of federal Executive Order 13990 and dated February 2021.

The Commission must annually adjust the costs established in this Section to reflect the effect of inflation and may, at its discretion, set the price at a higher level than described above, but no lower.

(2) Impacts to public health: The Commission shall develop a methodology for measuring and monetizing in cost assessments the public health impacts of pollutants, including impacts of both indoor and outdoor air quality, including carbon monoxide and carbon dioxide, nitrogen oxides, including nitrogen dioxide, particulate matter, formaldehyde, sulfur dioxide, ozone, and lead. The Commission shall integrate its methodology into assessments of utility system planning and supply and demand-side resource selection.

It is further declared to be the policy of the State that

this Section does not apply to motor carriers and rail carriers as defined in the Illinois Commercial Transportation Law or to the Commission in the regulation of such carriers.

Nothing in this Section shall be construed to limit, restrict, or mitigate in any way the power and authority of the State's Attorneys or the Attorney General under the Consumer Fraud and Deceptive Business Practices Act.

(220 ILCS 5/3-128 new)

Sec. 3-128. Fixed charge. "Fixed charge" means a charge that is assessed by a public utility as part of its rates, is equal across all customers or customers of a certain class, and is not directly proportional to a customer's usage.

(220 ILCS 5/8-101) (from Ch. 111 2/3, par. 8-101)

Sec. 8-101. Duties of public utilities; nondiscrimination. A public utility shall furnish, provide, and maintain such service instrumentalities, equipment, and facilities as shall promote the safety, health, comfort, and convenience of its patrons, employees, and public and as shall be in all respects adequate, efficient, just, and reasonable.

All rules and regulations made by a public utility affecting or pertaining to its charges or service to the public shall be just and reasonable.

An electric ~~A public~~ utility shall, and a gas utility may, upon reasonable notice, furnish to all persons who may apply

therefor and be reasonably entitled thereto, suitable facilities and service, without discrimination and without delay. Notwithstanding any other provision of law, a gas utility may cease providing service if the Commission determines that adequate substitute service is available at a reasonable cost to support the existing end uses of the affected utility customers. Any applicant for gas service shall receive clear, timely information from the gas utility, written in plain language, and approved by the Commission after stakeholder input on incentives and opportunities for installing, as alternatives to gas, energy-efficient electric technologies and incentives and opportunities for other energy efficiency measures, weatherization, demand management, and distributed energy resource programs. The information provided must include, among other things, information detailing electrification incentives in the Inflation Reduction Act and describing how the applicant can elect to receive the upfront discounts or tax incentives applicable to the applicant's electric purchases.

Nothing in this Section shall be construed to prevent a public utility from accepting payment electronically or by the use of a customer-preferred financially accredited credit or debit methodology.

(Source: P.A. 92-22, eff. 6-30-01.)

(220 ILCS 5/8-104B new)

Sec. 8-104B. Gas energy efficiency.

(a) As used in this Section:

"Benefit-cost ratio" means the ratio of the net present value of the total benefits of the measures to the net present value of the total costs as calculated over the lifetime of the measures.

"Cost-effective measure" means a measure that satisfies the total resource cost test.

"Energy efficiency measure" means a measure that reduces (i) the total Btus of electricity and natural gas and other utility-delivered gaseous fuels needed to meet an end use or end uses and (ii) the amount of natural gas and other utility-delivered gaseous fuels consumed on site, at the home or business facility, to meet an end use or end uses.

"Total resource cost test" means a standard that is met if, for an investment in an energy efficiency measure, the benefit-cost ratio is greater than one. The total resource cost test quantifies the net savings obtained through the substitution of demand-side measures for supply resources by comparing (i) the sum of avoided natural gas utility costs, representing the benefits that accrue to the natural gas system and the participant in the delivery of those energy efficiency measures and including avoided costs associated with the use of electricity or other fuels, avoided costs associated with reduced water consumption, and avoided operation and maintenance costs, as well as other quantifiable

societal benefits and (ii) the sum of all incremental costs of end-use measures, including both utility and participant contribution costs to administer, deliver, and evaluate each demand-side measure. In calculating avoided costs, reasonable estimates shall be included for financial costs likely to be imposed by future regulation of emissions of greenhouse gases. In discounting future societal costs and benefits for the purpose of calculating net present values, a societal discount rate based on actual, long-term U.S. Treasury bond yields shall be used. The income-qualified measures described in paragraphs (5) and (6) of subsection (d) shall not be required to meet the total resource cost test.

(b) It is the policy of the State for gas utilities to be required to use cost-effective energy efficiency measures to reduce delivery load. Requiring investment in cost-effective energy efficiency measures will reduce direct and indirect costs to consumers by decreasing environmental impacts, reducing the amount of natural gas and other utility-delivered gaseous fuels that need to be purchased, and avoiding or delaying the need for new transmission, distribution, storage, and other related infrastructure. Moreover, the public interest is served by allowing gas utilities to recover costs for reasonably and prudently incurred expenditures for energy efficiency measures.

(c) This Section applies to all gas distribution utilities in the State and supersedes Section 8-104 beginning January 1,

2024.

(d) Natural gas utilities shall implement cost-effective energy efficiency measures to achieve all of the following requirements:

(1) Total incremental annual savings shall be equal to at least 0.6% of annual sales to distribution customers in 2025, 0.8% of such sales in 2026, and at least 1% of such sales in 2027 and each subsequent year. For the purpose of calculating savings as a percent of sales to distribution customers for a given program year, the denominator of sales to distribution customers shall be annual average sales over the second, third, and fourth full calendar years prior to the beginning of the program year.

(2) The savings achieved must have an average life of at least 12 years.

(3) Savings may not be applied toward achievement of utility savings goals if the savings arise from the installation of efficient new gas furnaces, gas boilers, gas water heaters, or other gas-consuming equipment in a residential building, such as a single-family, individually metered multifamily building or a master-metered multifamily building.

(4) At least 50% of the entire budget for efficiency programs shall be spent on energy efficiency measures that reduce space heating needs through improvements to the efficiency of building envelopes, including, but not

limited to, insulation measures and efficient windows and energy efficiency measures that reduce air leakage through improvements to systems for distributing heat, including, but not limited to, duct leakage reduction, duct insulation, or pipe insulation in buildings or through improved heating systems controls, including, but not limited to, advanced thermostats and demand control ventilation. Spending on efficient furnaces, efficient boilers, or other efficient heating systems is permitted within business efficiency programs but does not count toward this minimum requirement for spending on building envelope, heating distribution, and control efficiencies. Spending on income-qualified building envelope measures, heating distribution system measures, and heating controls does count toward this requirement. The portion of portfolio spending on program marketing, training of installers, audits of buildings, inspections of work performed, and other administrative and technical expenses that are clearly tied to promotion or installation of building envelope or heating distribution system measures shall count toward this requirement. If this minimum requirement is not met, any performance incentive earned under subsection (h) should be reduced by the percentage point level of shortfall in meeting this requirement.

(5) The portion of the entire budget for efficiency programs that is spent on efficiency measures for

income-qualified households shall be the greater of 20% or 5 percentage points more than the proportion of total residential and business customer gas sales going to income-qualified households. For purposes of this Section, households at or below 80% of area median income are income-qualified. At least 80% of spending on measures in programs targeted at income-qualified households shall be delivered through whole building weatherization programs and spent on measures that reduce space heating needs through improvements to the building envelope, heating distribution systems, or heating controls. The utilities shall invest in health and safety measures appropriate and necessary for comprehensively weatherizing the homes and multifamily buildings of income-qualified households, with up to 15% of income-qualified program spending made available for such purposes. The ratio of spending on efficiency programs targeted at multifamily buildings of income-qualified households to spending on energy efficiency programs targeted at single-family buildings of income-qualified households shall be designed to achieve levels of savings from each building type that are approximately proportional to the magnitude of cost-effective lifetime savings potential in each building type. The gas utilities shall participate in a Low-Income Energy Efficiency Accountability Committee as established in Section 8-103B.

Gas utilities must conduct customer outreach and education efforts in equity investment eligible communities in order to provide notice of and explanations concerning the following types of programs:

(A) energy efficiency programs, the Illinois Solar for All Program, and whole home retrofit programs that reduce natural gas usage;

(B) income-qualified financial assistance programs, including rebate programs from the federal government; and

(C) general education programs designed to explain utility bills and the decisions customers can make to lower energy usage.

These outreach and education efforts must be brought to communities in a diversity of ways, must be created with input from members of the communities, and must be provided through, among other things:

(i) information on customers' bills in the main languages spoken in the communities;

(ii) a quarterly posting in local newspapers that cover the service area;

(iii) a dedicated section on the investor-owned utility's website; and

(iv) in-person and virtual educational sessions that take place in the income-qualified and Justice40 community, provide food and child care for

participating customers, and are codesigned with interested community-based organization representatives.

(6) Implementation of energy efficiency measures and programs targeted at income-qualified households shall be contracted, when practicable, to independent third parties that have demonstrated the capability of serving those households, with a preference for not-for-profit entities and government agencies that have existing relationships with, experience serving, or working directly within and alongside income-qualified communities in the State. Each gas utility shall develop and implement reporting procedures that address and assist in determining the amount of energy savings that can be applied to the income-qualified procurement and expenditure requirements set forth in this paragraph.

(7) A minimum of 10% of the utility's entire portfolio funding level for a given year shall be used to procure cost-effective energy efficiency measures from units of local government, municipal corporations, school districts, public housing, community college districts, and nonprofit-owned buildings as long as a minimum percentage of available funds shall be used to procure energy efficiency from public housing, which percentage shall be, at a minimum, equal to public housing's share of public building energy consumption. Spending on public

housing may count toward minimum spending requirements on efficiency improvements for income-qualified households.

(e) Notwithstanding any other provision of law, a utility providing approved energy efficiency measures in the State may recover all reasonable and prudently incurred costs of those measures from its retail customers. However, nothing in this subsection permits the double recovery of such costs from customers.

(f) Beginning in 2024, each gas utility shall file an energy efficiency plan with the Commission to meet the energy efficiency standards in subsection (d) for the next applicable multiyear period beginning January 1 of the year following the filing, according to the schedule set forth in paragraphs (1) through (4). If a utility does not file such a plan on or before the applicable filing deadline for the plan, the utility shall be liable for a civil penalty of $100,000 per day until the plan is filed.

(1) No later than 120 days after the effective date of this amendatory Act of the 104th General Assembly, each gas utility shall file an energy efficiency plan to supersede its previously filed energy efficiency plan for calendar year 2025 that is designed to achieve through implementation of energy efficiency measures the incremental annual savings goals, minimum average savings life, and other requirements specified in paragraphs (1) through (7) of subsection (d). An energy efficiency plan

submitted by a gas utility under this paragraph supersedes any energy efficiency plan previously filed by the gas utility for calendar year 2025.

(2) No later than March 1, 2025, each gas utility shall file a 4-year energy efficiency plan that takes effect on January 1, 2026 and is designed to achieve, through implementation of emergency efficiency measures, the incremental annual savings goals, minimum average savings life, and other requirements specified in paragraphs (1) through (7) of subsection (d). However, the incremental annual savings goals may be reduced if the plan's analysis and forecasts of the utility's ability to acquire energy savings demonstrate by clear and convincing evidence and through independent analysis that achievement of such goals is not cost-effective. In no event may incremental annual savings goals for any year be reduced to levels below (i) those actually achieved in calendar year 2024, (ii) those forecast to be achieved in calendar year 2025, or (iii) 0.75% of sales. The Commission shall review any proposed goal reduction as part of its review and approval of the utility's proposed plan.

(3) Beginning in 2029 and every 4 years thereafter, each gas utility shall file by no later than March 1 of the applicable year, a 4-year energy efficiency plan that takes effect on the following January 1 and is designed to achieve, through implementation of energy efficiency

measures, the incremental annual savings goals, minimum average savings life, and other requirements specified in paragraphs (1) through (7) of subsection (d). However, the incremental annual savings goals may be reduced if the plan's analysis and forecasts of the utility's ability to acquire energy savings demonstrate by clear and convincing evidence and through independent analysis that achievement of such goals is not cost-effective. In no event may incremental annual savings goals for any year be reduced to levels below (i) those actually achieved in the calendar year before the plan filing, (ii) those forecast to be achieved in the calendar year in which the plan filing is made, or (iii) 0.75% of sales. The Commission shall review any proposed goal reduction as part of its review and approval of the utility's proposed plan.

(4) Each utility's plan shall set forth the utility's proposals to meet the energy efficiency standards identified in subsection (d). The Commission shall seek public comment on each plan that takes effect on January 1, 2024 and before January 1, 2026 and shall issue an order approving or disapproving the plan no later than November 30, 2023, or 225 days after the effective date of this amendatory Act of the 104th General Assembly, whichever is later. The Commission shall seek public comment on each plan that takes effect on January 1, 2026 and shall issue an order approving or disapproving the plan within 6

months after its submission. If the Commission disapproves a plan, the Commission shall, within 30 days, describe in detail the reasons for the disapproval and describe a path by which the utility may file a revised draft of the plan to address the Commission's concerns satisfactorily. If the utility does not refile with the Commission within 60 days, the utility shall be subject to civil penalties at a rate of $100,000 per day until the plan is refiled. This process shall continue, and penalties shall accrue, until the utility has successfully filed a portfolio of energy efficiency measures. Penalties shall be deposited into the Energy Efficiency Trust Fund.

(g) In submitting proposed plans and funding levels under subsection (f) to meet the savings goals identified in subsection (d), the utility shall:

(1) demonstrate that its proposed energy efficiency measures will achieve the requirements that are identified in subsection (d);

(2) demonstrate consideration of program options for supporting efforts to improve compliance with new building codes, appliance standards, and municipal regulations as potentially cost-effective means of acquiring energy savings to count toward energy savings goals;

(3) demonstrate that its overall portfolio of measures and programs, not including income-qualified programs described in subsection (d), is cost-effective using the

total resource cost test and represents a diverse cross section of opportunities for customers of all rate classes to participate in programs. Individual measures need not be cost-effective;

(4) demonstrate that the utility's plan integrates the delivery of energy efficiency programs with electric efficiency programs, programs promoting demand response, and other efforts to address bill payment issues, including, but not limited to, the Low Income Home Energy Assistance Program and the Percentage of Income Payment Plans;

(5) include a proposed or revised cost-recovery mechanism to fund the proposed energy efficiency measures and ensure the recovery of the prudently and reasonably incurred costs of Commission-approved programs;

(6) provide, using not more than 3% of portfolio resources in any given year, an annual independent evaluation of the performance and cost-effectiveness of the utility's portfolio of measures and programs;

(7) demonstrate how it will ensure that program implementation contractors and energy efficiency installation vendors will promote workforce equity and quality jobs. Utilities shall collect, and make publicly available at least quarterly, data necessary to demonstrate how efforts are advancing workforce equity. Utilities shall work with relevant vendors providing

education, training, and other resources needed to ensure compliance and, where necessary, adjusting or terminating work with vendors that cannot assist with compliance; and

(8) include any plans for research, development, or pilot deployment of new measures or program approaches. For utilities with unmodified savings goals, no more than 4% of energy efficiency portfolio spending may be allocated for such purposes. For utilities with modified savings goals, no more than 2% of energy efficiency portfolio spending may be allocated for such purposes. Utilities shall work with interested stakeholders to formulate a plan for how any proposed funds should be spent, incorporate statewide approaches for these allocations whenever such approaches would be more effective or cost-efficient, and demonstrate such collaboration in the utilities' plans.

(h) Each gas utility shall be eligible to earn a shareholder incentive for effective implementation of its efficiency programs. The incentive shall be tied to each utility's annual energy efficiency spending and its savings. There shall be no incentive if the independent evaluator determines the utility either (i) failed to achieve the minimum average savings life specified in paragraph (2) of subsection (d), (ii) did not fully meet all of the requirements specified in paragraphs (3) through (7) of subsection (d), or (iii) failed to achieve incremental annual

savings equal to at least 90% of the incremental savings goal specified in paragraph (1) of subsection (d). If a utility meets all of the requirements specified in paragraphs (2) through (7) of subsection (d), it can earn an incentive equal 0.5% of total annual efficiency spending in the year being evaluated for every one percentage point above 90% of its incremental annual savings goal that it achieves for that year, with a maximum incentive of 15% for achieving 120% of its incremental annual savings goal.

(i) The utility shall submit energy savings data to the independent evaluator no later than 30 days after the close of the plan year. The independent evaluator shall determine the incremental annual savings and average savings life, as well as an estimate of the job impacts and other macroeconomic impacts of the efficiency programs for that year, achieved no later than 120 days after the close of the plan year. The utility shall submit an informational filing to the Commission no later than 160 days after the close of the plan year that attaches the independent evaluator's final report identifying the incremental annual savings for the year, identifying average savings life for the year, documenting compliance with other requirements in subsection (d), and, as applicable, the magnitude of any shareholder incentive which the utility has earned.

(j) Gas utilities shall report annually to the Commission and General Assembly on how hiring, contracting, job training,

and other practices related to its energy efficiency programs enhance the diversity of vendors working on such programs. These reports must include data on vendor and employee diversity.

(k) The independent evaluator shall follow the guidelines and use the savings set forth in Commission-approved energy efficiency policy manuals and technical reference manuals, as each may be updated from time to time. Until measure life values for energy efficiency measures implemented for income-qualified households are separately incorporated into such Commission-approved manuals, the income-qualified measures shall have the same measure life values that are established for the same measures implemented in households that are not income-qualified households.

(220 ILCS 5/9-228.5 new)

Sec. 9-228.5. Consideration of gas main and gas service extension costs. Gas main and gas service extension policies shall be based on the principle that the full incremental cost associated with new development and growth shall be borne by the customers that cause those incremental costs. Gas main and gas service extension policies, procedures, and conditions shall align with the greenhouse gas emission reduction goals established in Article XXIV.

(220 ILCS 5/9-229)

Sec. 9-229. Consideration of attorney and expert compensation as an expense and intervenor compensation fund.

(a) The Commission shall specifically assess the justness and reasonableness of any amount expended by a public utility to compensate attorneys or technical experts to prepare and litigate a general rate case filing. This issue shall be expressly addressed in the Commission's final order.

(b) The State of Illinois shall create a Consumer Intervenor Compensation Fund subject to the following:

(1) Provision of compensation for Consumer Interest Representatives that intervene in Illinois Commerce Commission proceedings will increase public engagement, encourage additional transparency, expand the information available to the Commission, and improve decision-making.

(2) As used in this Section, "consumer ~~Consumer~~ interest representative" means:

(A) a residential utility customer or group of residential utility customers represented by a not-for-profit group or organization registered with the Illinois Attorney General under the Solicitation for Charity Act;

(B) representatives of not-for-profit groups or organizations whose membership is limited to residential utility customers; or

(C) representatives of not-for-profit groups or organizations whose membership includes Illinois

residents and that address the community, economic, environmental, or social welfare of Illinois residents, except government agencies or intervenors specifically authorized by Illinois law to participate in Commission proceedings on behalf of Illinois consumers.

(3) A consumer interest representative is eligible to receive compensation from the consumer intervenor compensation fund if its participation included lay or expert testimony or legal briefing and argument concerning the expenses, investments, rate design, rate impact, or other matters affecting the pricing, rates, costs or other charges associated with utility service, ~~the Commission adopts a material recommendation related to a significant issue in the docket,~~ and participation caused a significant financial cost ~~hardship~~ to the participant; however, no consumer interest representative shall be eligible to receive an award pursuant to this Section if the consumer interest representative receives any compensation, funding, or donations, directly or indirectly, from parties that have a financial interest in the outcome of the proceeding.

(4) Within 30 days after September 15, 2021 (the effective date of Public Act 102-662), each utility that files a request for an increase in rates under Article IX or Article XVI shall deposit an amount equal to one half of

the rate case attorney and expert expense allowed by the Commission, but not to exceed $500,000, into the fund within 35 days of the date of the Commission's Final ~~final~~ Order in the rate case or 20 days after the denial of rehearing under Section 10-113 of this Act, whichever is later. The Consumer Intervenor Compensation Fund shall be used to provide payment to consumer interest representatives as described in this Section.

(5) An electric public utility with 3,000,000 or more retail customers shall contribute $450,000 to the Consumer Intervenor Compensation Fund within 60 days after September 15, 2021 (the effective date of Public Act 102-662). A combined electric and gas public utility serving fewer than 3,000,000 but more than 500,000 retail customers shall contribute $225,000 to the Consumer Intervenor Compensation Fund within 60 days after September 15, 2021 (the effective date of Public Act 102-662). A gas public utility with 1,500,000 or more retail customers that is not a combined electric and gas public utility shall contribute $225,000 to the Consumer Intervenor Compensation Fund within 60 days after September 15, 2021 (the effective date of Public Act 102-662). A gas public utility with fewer than 1,500,000 retail customers but more than 300,000 retail customers that is not a combined electric and gas public utility shall contribute $80,000 to the Consumer Intervenor

Compensation Fund within 60 days after September 15, 2021 (the effective date of Public Act 102-662). A gas public utility with fewer than 300,000 retail customers that is not a combined electric and gas public utility shall contribute $20,000 to the Consumer Intervenor Compensation Fund within 60 days after September 15, 2021 (the effective date of Public Act 102-662). A combined electric and gas public utility serving fewer than 500,000 retail customers shall contribute $20,000 to the Consumer Intervenor Compensation Fund within 60 days after September 15, 2021 (the effective date of Public Act 102-662). A water or sewer public utility serving more than 100,000 retail customers shall contribute $80,000, and a water or sewer public utility serving fewer than 100,000 but more than 10,000 retail customers shall contribute $20,000.

(6)(A) Prior to the entry of a Final Order in a docketed case, the Commission Administrator shall provide a payment to a consumer interest representative that demonstrates through a verified application for funding that the consumer interest representative's participation or intervention without an award of fees or costs imposes a significant financial hardship based on a schedule to be developed by the Commission. The Administrator may require verification of costs incurred, including statements of hours spent, as a condition to paying the consumer

interest representative prior to the entry of a Final Order in a docketed case.

(B) If ~~the Commission adopts a material recommendation related to a significant issue in the docket and~~ participation caused a significant financial cost ~~hardship~~ to the participant, then the consumer interest representative shall be allowed payment for some or all of the consumer interest representative's reasonable attorney's or advocate's fees, reasonable expert witness fees, and other reasonable costs of preparation for and participation in a hearing or proceeding. Expenses related to travel or meals shall not be compensable.

(C) The consumer interest representative shall submit an itemized request for compensation to the Consumer Intervenor Compensation Fund, including the advocate's or attorney's reasonable fee rate, the number of hours expended, reasonable expert and expert witness fees, and other reasonable costs for the preparation for and participation in the hearing and briefing within 30 days of the Commission's final order after denial or decision on rehearing, if any.

(7) Administration of the Fund.

(A) The Consumer Intervenor Compensation Fund is created as a special fund in the State treasury. All disbursements from the Consumer Intervenor Compensation Fund shall be made only upon warrants of the Comptroller

drawn upon the Treasurer as custodian of the Fund upon vouchers signed by the Executive Director of the Commission or by the person or persons designated by the Director for that purpose. The Comptroller is authorized to draw the warrant upon vouchers so signed. The Treasurer shall accept all warrants so signed and shall be released from liability for all payments made on those warrants. The Consumer Intervenor Compensation Fund shall be administered by an Administrator that is a person or entity that is independent of the Commission. The administrator will be responsible for the prudent management of the Consumer Intervenor Compensation Fund and for recommendations for the award of consumer intervenor compensation from the Consumer Intervenor Compensation Fund. The Commission shall issue a request for qualifications for a third-party program administrator to administer the Consumer Intervenor Compensation Fund. The third-party administrator shall be chosen through a competitive bid process based on selection criteria and requirements developed by the Commission. The Illinois Procurement Code does not apply to the hiring or payment of the Administrator. All Administrator costs may be paid for using monies from the Consumer Intervenor Compensation Fund, but the Program Administrator shall strive to minimize costs in the implementation of the program.

(B) The computation of compensation awarded from the

fund shall take into consideration the market rates paid to persons of comparable training and experience who offer similar services, but may not exceed the comparable market rate for services paid by the public utility as part of its rate case expense.

(C)(1) Recommendations on the award of compensation by the administrator shall include consideration of whether the participation raised ~~Commission adopted~~ a ~~material~~ recommendation related to a significant issue in the docket and whether participation caused a significant financial cost ~~hardship~~ to the participant and the payment of compensation is fair, just, and reasonable.

(2) Recommendations on the award of compensation by the administrator shall be submitted to the Commission for approval. Unless the Commission initiates an investigation within 45 days after the notice to the Commission, the award of compensation shall be allowed 45 days after notice to the Commission. Such notice shall be given by filing with the Commission on the Commission's e-docket system, and keeping open for public inspection the award for compensation proposed by the Administrator. The Commission shall have power, and it is hereby given authority, either upon complaint or upon its own initiative without complaint, at once, and if it so orders, without answer or other formal pleadings, but upon reasonable notice, to enter upon a hearing concerning the

propriety of the award.

(c) The Commission may adopt rules to implement this Section.

(Source: P.A. 102-662, eff. 9-15-21; 103-605, eff. 7-1-24.)

(220 ILCS 5/9-235 new)

Sec. 9-235. Tariffed gas main and gas service extension provisions. No later than 60 days after the effective date of this amendatory Act of the 104th General Assembly, the Commission shall initiate a docketed rulemaking reviewing each gas public utility tariff that provides for gas main and gas service extensions without additional charge to new customers in excess of the default extensions without charge as specified in 83 Ill. Adm. Code 501. The focus of the rulemaking shall be to modify each gas utility's gas main and gas service extension tariff to align with the provisions set forth in Section 9-228.5.

(220 ILCS 5/9-241) (from Ch. 111 2/3, par. 9-241)

Sec. 9-241. Nondiscrimination.

(a) No public utility shall, as to rates or other charges, services, facilities, or in other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates or other charges,

services, facilities, or in any other respect, either as between localities or as between classes of service.

(b) An electric utility in a county with a population of 3,000,000 or more shall not establish or maintain any unreasonable difference as to rates or other charges, services, contractual terms, or facilities for access to or the use of its utility infrastructure by another person or for any other purpose. Notwithstanding any other provision of law, the Commission and its staff shall interpret this Section in accordance with Article XVI of this Act.

(c) Nothing in this Section shall be construed as limiting the authority of the Commission to permit the establishment of economic development rates as incentives to economic development either in enterprise zones as designated by the State of Illinois or in other areas of a utility's service area. Such rates should be available to existing businesses which demonstrate an increase to existing load as well as new businesses which create new load for a utility so as to create a more balanced utilization of generating capacity. The Commission shall ensure that such rates are established at a level which provides a net benefit to customers within a public utility's service area.

(d) On or before January 1, 2025 ~~2023~~, the Commission shall conduct a comprehensive study to assess whether low-income discount rates for electric and natural gas residential customers are appropriate and the potential design

and implementation of any such rates. The Commission shall include its findings, together with the appropriate recommendations, in a report to be provided to the General Assembly. Upon completion of the study, the Commission shall have the authority to permit or require electric and natural gas utilities to file a tariff establishing low-income discount rates.

Such study shall assess, at a minimum, the following:

(1) customer eligibility requirements, including income-based eligibility and eligibility based on participation in or eligibility for certain public assistance programs;

(2) appropriate rate structures, including consideration of tiered discounts for different income levels;

(3) appropriate recovery mechanisms, including the consideration of volumetric charges and customer charges;

(4) appropriate verification mechanisms;

(5) measures to ensure customer confidentiality and data safeguards;

(6) outreach and consumer education procedures; and

(7) the impact that a low-income discount rate would have on the affordability of delivery service to low-income customers and customers overall.

On or before January 1, 2026, the Commission shall begin a docketed rulemaking process to implement low-income discount

rates for electric and natural gas residential customers, incorporating the recommendations of the report required by this Section, released by the Commission in December 2022 and titled the "Illinois Commerce Commission Low-Income Discount Rate Study Report to the Illinois General Assembly".

(e) The Commission shall adopt rules requiring utility companies to produce information, in the form of a mailing, and other approved methods of distribution, to its consumers, to inform the consumers of available rebates, discounts, credits, and other cost-saving mechanisms that can help them lower their monthly utility bills, and send out such information semi-annually, unless otherwise provided by this Article.

(f) Prior to October 1, 1989, no public utility providing electrical or gas service shall consider the use of solar or other nonconventional renewable sources of energy by a customer as a basis for establishing higher rates or charges for any service or commodity sold to such customer; nor shall a public utility subject any customer utilizing such energy source or sources to any other prejudice or disadvantage on account of such use. No public utility shall without the consent of the Commission, charge or receive any greater compensation in the aggregate for a lesser commodity, product, or service than for a greater commodity, product or service of like character.

The Commission, in order to expedite the determination of

rate questions, or to avoid unnecessary and unreasonable expense, or to avoid unjust or unreasonable discrimination between classes of customers, or, whenever in the judgment of the Commission public interest so requires, may, for rate making and accounting purposes, or either of them, consider one or more municipalities either with or without the adjacent or intervening rural territory as a regional unit where the same public utility serves such region under substantially similar conditions, and may within such region prescribe uniform rates for consumers or patrons of the same class.

Any public utility, with the consent and approval of the Commission, may as a basis for the determination of the charges made by it classify its service according to the amount used, the time when used, the purpose for which used, and other relevant factors.

(Source: P.A. 102-662, eff. 9-15-21; 103-679, eff. 7-19-24.)

(220 ILCS 5/9-254 new)

Sec. 9-254. Independent gas system assessment.

(a) The General Assembly finds that an independent audit of the current state of the gas distribution system, and of the expenditures made since 2012, will need to be made. Specifically, the General Assembly finds:

(1) Pursuant to 2013 legislation establishing the qualifying infrastructure plant charge, gas utilities in this State that serve over 700,000 retail customers have

spent significant amounts of ratepayer dollars on system investments purporting to refurbish, rebuild, modernize, and expand gas system infrastructure.

(2) The qualifying infrastructure plant charge is set to conclude at its statutory deadline of December 31, 2023, and it is in the interest of this State and in the interest of gas utilities' customers to understand the benefits of these investments to the gas system and to customers and to evaluate the current condition of the gas system.

(3) It is also necessary for gas utilities, the Commission, and stakeholders to have an independently verified set of data to draw upon for future gas rate cases and any other proposed gas system spending.

(4) Meeting the State's climate goals will require an ordered transition away from gas, and toward electric heating and appliances, for all or nearly all buildings, and planning this transition will require a thorough understanding of the current state of the gas system.

(5) The Commission has authority to order and implement the requirements of this Section under Section 8-102.

(b) Terms used in this Section shall have the meanings given to them in Section 19-105.

(c) Within 30 days after the effective date of this amendatory Act of the 104th General Assembly, the Commission

shall issue an order initiating an audit of each gas utility serving over 700,000 retail customers in the State, which shall examine the following:

(1) An assessment of the gas distribution system, as described in paragraph (2) of subsection (a). The Commission shall have the authority to require additional items that it deems necessary.

(2) An analysis of the utility's capital projects placed into service in the preceding 10 years, including, but not limited to, an assessment of the value and safety impact of pipe replacement, increased system pressure, and pipe capacity expansion.

(3) An assessment of the utility's emissions reductions to date and what preparations the utility has made to meet the terms of the Paris Climate Agreement, with which it is the policy of the State to comply.

(4) The creation of a visual, geographic map of the gas system displaying the level of risk of various pipelines and showing the areas where pipelines have already been replaced.

(5) The identifying areas of the gas system where the cost to replace pipeline is likely to be high, including, but not limited to, identifying places where decommissioning a portion of the gas system and planning to provide for electric heating and appliance needs in that area may be preferable, considering the costs and

benefits for affordability, health, and climate.

(d) It is contemplated that the auditor will use materials filed with the Commission by the utilities with respect to the auditor's expenditures in the preceding 10 years; however, the auditor may also, with Commission approval, assess other information deemed necessary to make its report. The results of the audit described in this Section shall be reflected in a report delivered to the Commission, describing the information specified in this Section. The report is to be delivered no later than 180 days after the Commission enters its order under subsection (c). It is understood that any public report may not contain items that are confidential or proprietary.

(e) The costs of a gas utility's audit described in this Section shall not exceed $500,000 and shall be paid for by the electric utility that is the subject of the audit. Such costs shall be a recoverable expense.

(f) The Commission shall have the authority to retain the services of an auditor to assist with the distribution planning process, as well as in docketed proceedings. Such expenses for these activities shall also be borne by the Commission.

(220 ILCS 5/9-255 new)

Sec. 9-255. Phase-out of gas fixed changes. Beginning January 1, 2035, a public utility providing gas service may not assess fixed charges as part of its rates. Beginning

January 1, 2030, a public utility providing gas service must limit, for each customer class, any fixed charges in its rates to no greater than 50% of the average of monthly fixed charges for that customer class during the period January 1, 2019 to December 31, 2021.

(220 ILCS 5/16-111.10)

Sec. 16-111.10. Equitable Energy Upgrade Program.

(a) The General Assembly finds and declares that Illinois homes and businesses can contribute to the creation of a clean energy economy, conservation of natural resources, and reliability of the electricity grid through the installation of cost-effective renewable energy generation, energy efficiency and demand response equipment, and energy storage systems. Further, a large portion of Illinois residents and businesses that would benefit from the installation of energy efficiency, storage, and renewable energy generation systems are unable to purchase systems due to capital or credit barriers. This State should pursue options to enable many more Illinoisans to access the health, environmental, and financial benefits of new clean energy technology.

(b) As used in this Section:

"Commission" means the Illinois Commerce Commission.

"Energy project" means renewable energy generation systems, including solar projects, energy efficiency upgrades, decarbonization and electrification measures, energy storage

systems, demand response equipment, or any combination thereof.

"Fund" means the Clean Energy Jobs and Justice Fund established in the Clean Energy Jobs and Justice Fund Act.

"Program" means the Equitable Energy Upgrade Program established under subsection (c).

"Utility" means electric public utilities providing services to 500,000 or more customers under this Act.

(c) The Commission shall open an investigation into and direct all electric and gas public utilities in this State to adopt an Equitable Energy Upgrade Program that permits customers to finance the construction of energy projects through an optional tariff payable directly through their utility bill, modeled after the Pay As You Save system, developed by the Energy Efficiency Institute. The Program model shall enable utilities to offer to make investments in energy projects to customer properties with low-cost capital and use an opt-in tariff to recover the costs. The Program shall be designed to provide customers with immediate financial savings if they choose to participate. The Program shall allow residential electric and gas utility customers that own the property, or renters that have permission of the property owner, for which they subscribe to utility service to agree to the installation of an energy project. The Program shall ensure:

(1) eligible projects do not require upfront payments;

however, customers may pay down the costs for projects with a payment to the installing contractor in order to qualify projects that would otherwise require upfront payments;

(2) eligible projects have sufficient estimated savings and estimated life span to produce significant, immediate net savings;

(3) participants shall agree the utility can recover its costs for the projects at their location by paying for the project through an optional tariff directly through the participant's utility ~~electricity~~ bill, allowing participants to benefit from installation of energy projects without traditional loans;

(4) accessibility by lower-income residents and environmental justice community residents; ~~and~~

(5) the utility must ensure that customers who are interested in participating are notified that if they are income qualified, they may also be eligible for the Percentage of Income Payment Plan program and free energy improvements through other programs and facilitate interested customers' enrollment in those programs; and ~~provide contact information.~~

(6) coordination with existing utility, state, and federal energy efficiency, solar, electrification, and other energy savings funding and implementation programs.

(d) The Commission shall establish Program guidelines with

the anticipated schedule of Program availability as follows:

(1) Year 1: Beginning in the first year of operation, each utility with greater than 100,000 retail customers is required to obtain low-cost capital of at least $20,000,000 annually for investments in energy projects.

(2) Year 2: Beginning in the second year of operation, each utility with greater than 100,000 retail customers is required to obtain low-cost capital for investments in energy projects of at least $40,000,000 annually.

(3) Year 3: Beginning in the third year of operation, each utility with greater than 100,000 retail customers is required to obtain low-cost capital for investments in as many systems as customers demand, subject to available capital provided by the utility, State, or other lenders.

(e) In the design of the Program, the Commission shall:

(1) Within 90 days after the effective date of this amendatory Act of the 104th General Assembly, begin a process to update the Program guidelines for implementation of the Program. Any such process shall allow for participation from interested stakeholders. ~~Within 270 days after the effective date of this amendatory Act of the 102nd General Assembly, convene a workshop during which interested participants may discuss issues and submit comments related to the Program.~~

(2) Establish Program guidelines for implementation of the Program in accordance with the Pay As You Save

Essential Elements and Minimum Program Requirements that electric and gas utilities must abide by when implementing the Program. Program guidelines established by the Commission shall include the following elements:

(A) The Commission shall establish conditions under which utilities secure capital to fund the energy projects. The Commission may allow utilities to raise capital independently, work with third-party lenders to secure the capital for participants, or a combination thereof. Any process the Commission approves must use a market mechanism to identify the least costly sources of capital funds so as to pass on maximum savings to participants. The State or the Clean Energy Jobs and Justice Fund may also provide capital for the Program.

(B) Customer protection guidelines should be designed consistent with Pay As You Save Essential Elements and Minimum Program Requirements.

(C) The Commission shall establish conditions by which utilities may connect Program participants to energy project vendors. In setting conditions for connection, the Commission may prioritize vendors that have a history of good relations with the State, including vendors that have hired participants from State-created job training programs.

(D) Guarantee that conservative estimates of

financial savings will immediately and significantly exceed estimated Program costs for Program participants.

(E) Require any customer data sharing between electric and gas utilities and third-party vendors needed to evaluate the energy and demand saving and energy services revenue opportunities of all customers and otherwise facilitate a positive customer experience. Such data sharing may include but shall not be limited to historical and ongoing customer usage data and billing rates. The Commission may allow utilities to recover the costs associated with data sharing from all customers.

(F) Notwithstanding the method used to estimate site-specific energy savings or measure direct energy savings for Program participants, the utility will report aggregate savings to the Commission for regulatory filings in the same or a similar manner as other energy efficiency or clean energy programs.

(f) Within 90 ~~120~~ days after the Commission releases the Program conditions established under this Section, each utility subject to the requirements of this Section shall submit an informational filing to the Commission that describes its plan for implementing the provisions of this Section. If the Commission finds that the submission does not properly comply with the statutory or regulatory requirements

of the Program, the Commission may require that the utility make modifications to its filing.

(g) An independent process evaluation shall be conducted after one year of the Program's operation. An independent impact evaluation shall be conducted after 3 years of operation, excluding one-time startup costs and results from the first 12 months of the Program. The Commission shall convene an advisory council of stakeholders, including representation of low-income and environmental justice community members to make recommendations in response to the findings of the independent evaluation.

(h) The Program shall be designed using the Pay As You Save system guidelines to be cost-effective for customers. Only projects that are deemed to be cost-effective and can be reasonably expected to ensure customer savings are eligible for funding through the Program, unless, as specified in paragraph (1) of subsection (c), customers able to make upfront copayments to installers buy down the cost of projects so it can be deemed cost-effective.

(i) Eligible customers must be:

(1) property renters with permission of the property owner; or

(2) property owners.

(j) The calculation of project cost-effectiveness shall be based upon the Pay As You Save system requirements.

(1) The calculation of cost-effectiveness must be

conducted by an objective process approved by the Commission and based on rates in effect at the time of installation.

(2) A project shall be considered cost-effective ~~only~~ if it is estimated to produce significant immediate net savings, not counting copayments voluntarily made by customers. The Commission may establish guidelines by which this required savings is estimated.

(3) Net savings shall include savings across all fuel sources, not limited to electricity and natural gas.

(4) The calculation of project cost-effectiveness shall not exclude projects that:

(A) would raise customer costs in a particular month so long as customers see annual project savings; or

(B) increase electric load and accompanying costs when a heating electrification project results in the ability to cool part or all of a home that was not previously cooled. In such cases, the increased electricity consumption associated with that added cooling shall not be included in calculations of net savings. Extreme heat poses an increasing risk to Illinois communities. As such, it is in the public interest to mitigate that risk through the addition of building cooling systems.

However, any expected increase in electric load and

customer costs should be clearly communicated to impacted customers, along with any options for mitigating that increase.

(k) The Program should be modeled after the Pay As You Save system, by which Program participants finance energy projects using the savings that the energy project creates with a tariffed on-bill program. Eligible projects shall not create personal debt for the customer, result in a lien in the event of nonpayment, or require customers to pay monthly charges for any upgrade that fails and is not repaired within 21 days. The utility may restart charges once the upgrade is repaired and functioning and extend the term of payments to recover its costs for missed payments and deferred cost recovery, providing the upgrade continues to function.

(l) Any energy project that is defective or damaged due to no fault of the participant must be either replaced or repaired with parts that meet industry standards at the cost of the utility or vendor, as specified by the Commission, and charges shall be suspended until repairs or replacement is completed. The Commission may establish, increase, or replace the requirements imposed in this subsection. The Commission may determine that this responsibility is best handled by participating project vendors in the form of insurance, contractual guarantees, or other mechanisms, and issue rules detailing this requirement. Customers shall not be charged monthly payments for upgrades that are no longer functioning.

(m) In the event of nonpayment, the remaining balance due to pay off the system shall remain with the utility meter at an upgraded location. The Commission shall establish conditions subject to this constraint in the event of nonpayment that are in accordance with the Pay As You Save system.

(n) The utility shall make every effort to ensure that customers who are income-qualified for free energy upgrade programs take full advantage of those programs first before using the Equitable Energy Upgrade Program. ~~If the demand by utility customers exceeds the Program capital supply in a given year, utilities shall ensure that 50% of participants are:~~

~~(1) customers in neighborhoods where a majority of households make 150% or less of area median income; or~~

~~(2) residents of environmental justice communities.~~

(o) Utilities shall endeavor to inform customers about the availability of the Program, their potential eligibility for participation in the Program, and whether they are likely to save money on the basis of an estimate conducted using variables consistent with the Program that the utility has at its disposal. The Commission may establish guidelines by which utilities must abide by this directive and alternatives if the Commission deems utilities' efforts as inadequate.

(p) Subject to Commission specifications under subsection (c), each utility shall work with certified project vendors selected using a request for proposals process to establish

the terms and processes under which a utility can install eligible renewable energy generation and energy storage systems using the capital to fit the Equitable Energy Upgrade model. The utility ~~certified project vendor~~ shall explain and offer the approved upgrades to customers and shall assist customers in applying for financing through the Program. As part of the process, utilities ~~vendors~~ shall also provide participants with information about any other relevant incentives that may be available and customer service regarding the effective use of the upgrades.

Nothing shall preclude gas and electric utilities that have overlapping service territories from jointly implementing and delivering the Program.

(q) A participating ~~An electric~~ utility shall recover all of the prudently incurred costs of offering a program approved by the Commission under this Section. For investor-owned utilities, shareholder incentives will be proportional to meeting Commission approved thresholds for the number of customers served and the amount of its investments in those locations.

(r) The Commission shall adopt all rules necessary for the administration of this Section.

(Source: P.A. 102-662, eff. 9-15-21.)

(220 ILCS 5/Art. XXIII heading new)

ARTICLE XXIII. CLEAN BUILDING HEATING LAW

(220 ILCS 5/23-101 new)

Sec. 23-101. Short title. This Article may be cited as the Clean Building Heating Law. References in this Article to "this Act" mean this Article.

(220 ILCS 5/23-102 new)

Sec. 23-102. Findings. The General Assembly finds that the adoption and use of clean, zero-pollution space and water heating appliances in residential and commercial buildings would benefit the State by (i) protecting the air that Illinoisans breathe through reducing unhealthy levels of smog and ozone, (ii) minimizing health risks associated with air pollution, including respiratory ailments, cardiovascular illnesses, and premature death, which are linked to exposure to fine particulate matter and nitrogen dioxide, (iii) assisting the State in achieving attainment of federal National Ambient Air Quality Standards for ozone and meeting the State's obligations under the federal Regional Haze Rule, (iv) reducing climate pollution in service to the State's net-zero greenhouse gas goals, and (v) contributing to the State's economy through building and mobilizing a trained and competitive workforce to install and maintain newly purchased appliances.

(220 ILCS 5/23-103 new)

Sec. 23-103. Definitions. As used in this Article:

"Annual fuel utilization efficiency" or "AFUE" means the efficiency as defined by Section 4.2.35 of the Code of Federal Regulations, Title 10, Part 430, Subpart B, Appendix N.

"Boiler" or "water heater" means a product used to heat water or produce steam and that is not exclusively used to produce electricity for sale. "Boiler" does not include any waste heat recovery boiler that is used to recover sensible heat from the exhaust of a combustion turbine or any unfired waste heat recovery boiler that is used to recover sensible heat from the exhaust of any combustion equipment.

"Btu" means British thermal unit, which is a scientific unit of measurement equal to the quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit at approximately 60 degrees Fahrenheit.

"Director" means the Director of the Environmental Protection Agency or the Director's designee.

"Fan-type central furnace" means a self-contained space heater providing for circulation of heated air at pressures other than atmospheric through ducts more than 25 cm (10 in) in length.

"Furnace" means a product designed to be a source of interior space heating.

"Heat input" means the heat released by the combustion of fuels in a unit based on the higher heating value of fuel, excluding the enthalpy of incoming combustion air.

"Heat output" means the product obtained by multiplying the recovery efficiency, as defined by Section 6.1.3 of the Code of Federal Regulation, Title 10, Part 430, Subpart B, Appendix E, by the input rating of the unit.

"NO_x" and "NO_x emissions" means the sum of nitric oxide and nitrogen dioxide in the unit's flue gas, collectively expressed as nitrogen dioxide.

"Rated heat input capacity" means the heat input capacity specified on the nameplate of the combustion unit. If a unit has been altered or modified such that its maximum heat input is different from the heat input capacity specified on the nameplate, the new maximum heat input is the unit's rated heat input capacity.

"Useful heat delivered to the heated space" means the annual fuel utilization efficiency (expressed as a fraction) multiplied by the heat input.

(220 ILCS 5/23-104 new)

Sec. 23-104. Applicability. This Article applies to any person who sells, installs, offers for sale, leases, or offers for lease the following products in this State, as well as any manufacturer who intends to sell or distribute for sale or installation the following products in this State: (i) new water heaters and boilers with a rated heat input capacity of 2,000,000 Btus per hour or less; and (ii) new furnaces with a rated heat input capacity of 175,000 Btus per hour or less,

and, in the case of combination heating and cooling units, a cooling rate of 65,000 Btus per hour or less.

(220 ILCS 5/23-105 new)

Sec. 23-105. Emissions standards for new building heating and water heating appliances.

(a) On and after January 1, 2025, a person shall not sell, install, offer for sale, lease, or offer for lease, and a manufacturer shall not sell or distribute for sale or installation, the following new products in this State:

(1) water heaters with a rated heat input capacity of 75,000 Btus per hour or less, and any water heaters with power assist, that emit more than 10 nanograms of NO_x per joule of heat output;

(2) water heaters and boilers with a rated heat input capacity from 75,001 to 2,000,000 Btus per hour, inclusive, that emit more than 14 nanograms of NO_x per joule of heat output; or

(3) fan-type central furnaces with a rated heat input capacity of 175,000 Btus per hour or less that emit more than 14 nanograms of NO_x per joule of heat output.

(b) On and after January 1, 2030, a person shall not sell, install, offer for sale, lease, or offer for lease, and a manufacturer shall not sell or distribute for sale or installation, the following new products in this State:

(1) water heaters and boilers with a rated heat input

capacity of 2,000,000 Btus per hour or less that emit more than 0.0 nanograms of NO_x per joule of heat output; or

(2) furnaces with a rated heat input capacity of 175,000 Btus per hour or less that emit more than 0.0 nanograms of NO_x per joule of heat output. This includes non-central installations, such as wall furnaces, as well as units installed in non-residential applications.

(220 ILCS 5/23-106 new)

Sec. 23-106. Certification and identification of compliant products.

(a) The manufacturer shall obtain confirmation from an independent testing laboratory that each water heater, boiler, or furnace model that is subject to the requirements of this Article and that the manufacturer intends to sell or distribute for sale or installation into the State has been tested in accordance with the procedures in Section 23-107. This confirmation shall include the following statement signed and dated by the person responsible for the report at the independent testing laboratory: "Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information in this source test report are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant civil and criminal penalties for submitting false statements or information or omitting required statements or

information, including the possibility of fine or imprisonment."

(b) For each such product model, the manufacturer shall submit to the Director either of the following:

(1) A statement that each product model meets the emission standards set forth in Section 23-105. The statement must:

(A) provide the following general information: name and address of manufacturer, brand name, trade name, model number, and rated heat input capacity;

(B) provide a description of the model being certified;

(C) include a complete certification source test report demonstrating that the product model was tested in accordance with procedures in Section 23-107 and a written statement that the model complies with Section 23-105;

(D) include the following statement signed and dated by a managerial level employee responsible for the certification request at the manufacturer: "Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information in this request for certification are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant civil and criminal

penalties for submitting false statements or information or omitting required statements or information, including the possibility of fine or imprisonment.";

(E) be submitted to the Director no more than 90 days after the date of the emissions compliance test conducted in accordance with Section 23-107; and

(F) be submitted to the Director no less than 90 days before the intention to sell or distribute a new product model within the State or no less than 90 days before the dates described in Section 23-105.

(2) An approved South Coast Air Quality Management District (SCAQMD) certification for each product model issued pursuant to SCAQMD Rules 1111, 1121, or 1146.2, to demonstrate compliance with subsection (a) of Section 23-105.

(c) The manufacturer shall display the model number and the certification status of a product complying with this Article on the shipping carton and rating plate of each unit.

(220 ILCS 5/23-107 new)

Sec. 23-107. Determination of emissions. Emissions from products subject to the requirements of this Article shall be tested in accordance with the following provisions:

(1) Each product model shall receive certification based on emission tests of a randomly selected unit of

that model.

(2) The measurement of NO_x emissions shall be conducted in accordance with EPA Reference Method 7 (40 CFR Part 60, Appendix A), Test Methods 7A-7E.

(3) Each tested water heater shall be operated in accordance with Section 2.4 of American National Standards ANSI Z21.10.1-1990 at normal test pressure, input rates, and with a 5-foot exhaust stack installed during the NO_x emissions tests.

(4) Each tested furnace shall be operated in accordance with the procedures specified in Section 3.1 of the Code of Federal Regulations, Title 10, Part 430, Subpart B, Appendix N.

(5) One of the 2 following formulas shall be used to calculate the NO_x emission rate in nanograms of NO_x per joule of heat output:

N=4.566×104PUHCE

or

N=3.655×1010P20.9-YZE

Where:

N = Calculated mass emissions of NO_x per unit of useful heat (nanograms per joule of useful heat delivered to the heated space).

P = Measured concentration of NO_x in flue gas (parts per million by volume).

Y = Measured concentration of O_2 in flue gas

(percentage by volume).

Z = Gross heating value of gas (joules per cubic meter at 0.0 degrees Celsius, 1 atm).

E = AFUE (percentage), as defined in Section 23-103.

U = Concentration of CO_2 in water-free flue gas for stoichiometric combustion (percentage by volume).

H = Gross heating value of the fuel (Btu per cubic foot, 60 degrees Fahrenheit, 30-in Hg).

C = Measured concentration of CO_2 in flue gas (percentage by volume).

(220 ILCS 5/23-108 new)

Sec. 23-108. Enforcement and penalties.

(a) The Director may require the emission test results to be provided when deemed necessary to verify compliance and may periodically conduct on-site inspections and tests as are deemed necessary to ensure compliance. Such verifications shall be conducted at least once within 2 years of the date described in subsection (a) of Section 23-105 and again at least once every 5 years thereafter.

(b) If the Director determines that a manufacturer, distributor, retailer, installer, or other person is in violation of any provision of this Act, that violation is subject to fines and penalties according to the Director's authority.

(c) For purposes of this Section, fines or penalties may

be levied against an installer who installs a product covered by this Article in violation of this Article, however they shall not be levied against such installer's nonmanagerial employees, if any, who perform such installation.

(d) Fines and penalties collected under this Section may be used for supplemental environmental programs to offset the cost of furnace and water heater replacements in low-income and moderate-income households or households in environmental justice communities, according to the Director's authority to use fines and penalties.

(e) On or before the date described in subsection (a) of Section 23-105, the Director shall establish a process whereby individuals may anonymously report potential violations of this Act. The Director shall investigate any such reported potential violations.

(220 ILCS 5/23-109 new)

Sec. 23-109. Additional regulation. The Director may adopt rules as necessary to ensure the proper implementation and enforcement of this Article.

(220 ILCS 5/23-111 new)

Sec. 23-111. Revisions to building codes to comply with greenhouse gas emissions reduction requirements.

(a) Beginning no later than July 1, 2025, to support the State's achievement of its greenhouse gas emissions

requirements and to improve public health outcomes, the State building code shall require that the site energy use intensity between minimally compliant but otherwise similar buildings of differing fuel types shall not be significantly unequal in all new construction statewide. Beginning no later than July 1, 2025, to the fullest extent feasible, the building code shall require that any area or service within a project where infrastructure, building systems, or equipment used for the combustion of fossil fuels are installed must be all-electric ready.

(b) Requirements for all-electric ready new construction for residential buildings shall include:

(1) a heat pump space heater ready. Systems using gas or propane furnaces to serve individual dwelling units shall include the following:

(A) a dedicated 240 volt branch circuit wiring shall be installed within 3 feet from the furnace and accessible to the furnace with no obstructions. The branch circuit conductors shall be rated at 30 amps minimum. The blank cover shall be identified as "240V ready"; and

(B) the main electrical service panel shall have a reserved space to allow for the installation of a double pole circuit breaker for a future heat pump space heater installation. The reserved space shall be permanently marked as "For Future 240V use";

(2) an electric cooktop ready. Systems using gas or propane cooktops to serve individual dwelling units shall include the following:

(A) a dedicated 240 volt branch circuit wiring shall be installed within 3 feet from the cooktop and accessible to the cooktop with no obstructions. The branch circuit conductors shall be rated at 50 amps minimum. The blank cover shall be identified as "240V ready"; and

(B) the main electrical service panel shall have a reserved space to allow for the installation of a double pole circuit breaker for a future electric cooktop installation. The reserved space shall be permanently marked as "For Future 240V Use";

(3) an electric clothes dryer ready. Clothes dryer locations with gas or propane plumbing shall include the following:

(A) systems serving individual dwelling units shall include:

(i) a dedicated 240 volt branch circuit wiring shall be installed within 3 feet from the clothes dryer location and accessible to the clothes dryer location with no obstructions. The branch circuit conductors shall be rated at 30 amps minimum. The blank cover shall be identified as "240V ready"; and

(ii) the main electrical service panel shall have a reserved space to allow for the installation of a double pole circuit breaker for a future electric clothes dryer installation. The reserved space shall be permanently marked as "For Future 240V Use"; and

(B) systems in common use areas shall include conductors or raceway shall be installed with termination points at the main electrical panel, via subpanels if applicable, to a location no more than 3 feet from each gas outlet or a designated location of future electric replacement equipment. Both ends of the conductors or raceway shall be labeled "Future 240V Use". The conductors or raceway and any intervening subpanels, panelboards, switchboards, and busbars shall be sized to meet the future electric power requirements, at the service voltage to the point at which the conductors serving the building connect to the utility distribution system. The capacity requirements may be adjusted for demand factors. Gas flow rates shall be determined in accordance with State plumbing code. Capacity shall be one of the following:

(i) 0.24 amps at 208/240 volts per clothes dryer;

(ii) 2.6 kVA for each 10,000 Btu per hour of

rated gas input or gas pipe capacity; or

(iii) the electrical power required to provide equivalent functionality of the gas-powered equipment as calculated and documented by the responsible person associated with the project; and

(4) a heat pump water heater ready. Systems using gas or propane service water heaters to serve individual dwelling units shall include the following:

(A) a dedicated 240 volt branch circuit wiring shall be installed within 3 feet from the furnace and accessible to the furnace with no obstructions. The branch circuit conductors shall be rated at 30 amps minimum. The blank cover shall be identified as "240V ready";

(B) the main electrical service panel shall have a reserved space to allow for the installation of a double pole circuit breaker for a future heat pump water heater installation. The reserved space shall be permanently marked as "For Future 240V use"; and

(C) an indoor space that is at least 3 feet by 3 feet by 7 feet high shall be available surrounding or within 3 feet of the installed water heater, except where a tankless water heater is installed.

(c) Newly constructed commercial buildings shall meet the requirements of Appendix CH of the 2024 version of the

International Energy Conservation Code.

(d) Beginning no later than January 1, 2026, the State building code must include a prescriptive requirement for central air conditioning systems that are being removed due to equipment failure or as part of a larger renovation project, that they must be replaced with a heat pump capable of both heating and cooling in accordance with the following requirements:

(1) Requirements for residential buildings:

(A) If an existing central air conditioner is removed from a natural gas, propane, or fuel oil forced air system that is to remain in place, the replacement heat pump must be sized to meet the cooling load of the home with controls allowing the heat pump to provide the primary heating and furnace as "backup" heating.

(B) If an existing central air conditioner is connected to a natural gas, propane, or fuel oil forced air system that is to also be replaced, the replacement heat pump must be sized to meet all loads of the home. Exceptions may be given for replacement systems that require the main electrical service panel to be upgraded.

(C) If an existing central air conditioner and its accompanying ductwork are replaced, the replacement heat pump must be sized to meet all loads of the home.

(2) Requirements for commercial buildings: If an existing rooftop packaged unit is removed, the replacement unit must be a heat pump. This requirement only applies to existing rooftop packaged units that are 65,000 Btu/h or less. Exceptions may be given for replacement systems that require the main electrical service panel to be upgraded.

(220 ILCS 5/23-112 new)

Sec. 23-112. Revisions to gas service line extensions to comply with greenhouse gas emissions reduction requirements.

(a) To support the State's achievement of its greenhouse gas emissions requirements, and to improve public health outcomes, no gas company may furnish or supply gas service, instrumentalities, and facilities to any commercial or residential location that did not receive gas service or did not file applications for gas service on or before June 30, 2027.

(b) The following locations are exempt from the requirements of subsection (a):

(1) buildings that require gas systems for emergency backup power; and

(2) buildings specifically designated for occupancy by a commercial food establishment, laboratory, laundromat, hospital, or crematorium.

(220 ILCS 5/23-301 new)

Sec. 23-301. Severability. If any provision of this Article or the application of this Article to any person or circumstance is held invalid, such invalidity does not affect other provisions or applications of the Article that can be given effect without the invalid provision or application, and to this end the provisions of this Article are declared to be severable.

(220 ILCS 5/Art. XXIV heading new)

ARTICLE XXIV. 2050 HEAT DECARBONIZATION STANDARD

(220 ILCS 5/24-101 new)

Sec. 24-101. Legislative policy. To provide the highest quality of life for the residents of this State and to provide for a clean and healthy environment, it is the policy of this State that natural gas utilities, otherwise referred to as "obligated parties", shall transition to 100% zero emissions by 2050. Under the heat decarbonization standard, each gas utility has an annual obligation, beginning in 2030, to reduce the greenhouse gas emissions resulting from the combustion of the fuels it delivers to its customers. The emission reduction obligation for 2030 shall be 20% relative to each utility's 2020 greenhouse gas emissions levels on a weather-normalized basis. The emission reduction obligation shall grow by 4 percentage points per year every year thereafter, such that the annual emission reduction requirement will reach 24% in

2031, 28% in 2032, 32% in 2033, 36% in 2034, 40% by 2035, 44% by 2036, 48% by 2037, 52% by 2038, 56% by 2039, 60% by 2040, 64% by 2041, 68% by 2042, 72% by 2043, 76% by 2044, 80% by 2045, 84% by 2046, 88% by 2047, 92% by 2048, 96% by 2049, and 100% by 2050. This obligation shall be referred to as the "heat decarbonization standard". The heat decarbonization standard must be met by the lowest societal cost combination of supply and demand-side resources. References in this Article to "this Act" means this Article.

(220 ILCS 5/24-102 new)

Sec. 24-102. Options for compliance.

(a) Obligated parties must demonstrate compliance with the heat decarbonization standard using a combination of:

(1) emission reductions achieved from the obligated parties' own customers; and

(2) clean heat credits purchased from other gas utilities that are also obligated parties in this State.

(b) Prior to 2035, at least 70% of each obligated party's emission reduction obligation must be met through emission reductions achieved from its own customers, with no more than 30% of the emission reduction obligation in any year met through the purchase of clean heat credits. From 2035 through 2040, at least 80% of each obligated party's emission reduction requirement must be met through emission reductions from its own customers, with no more than 20% met through the

purchase of clean heat credits. After 2040, at least 90% of each obligated party's emission reduction requirement must be met through emission reductions achieved from its own customers, with no more than 10% met through the purchase of clean heat credits.

(220 ILCS 5/24-103 new)

Sec. 24-103. Measures for customer emission reduction. Emissions must be achieved through improvements in customers' energy conservation practices, improvements in customers' end-use efficiency, full or partial electrification of any end use, or switching from fossil methane to lower-emitting liquid or gaseous fuels that are delivered by the obligated party and directly consumed by end-use customers at the customers' homes or businesses. Lower-emitting liquid or gaseous fuels may include biomethane, but lower-emitting liquid or gaseous fuels may not include hydrogen except for industrial applications. For emission reductions from lower-emitting liquid or gaseous fuels to be counted toward an obligated party's emission reduction obligation, the obligated party must both acquire the lower-emitting fuel, including its environmental attributes, and demonstrate a contractual pathway for the physical delivery of the fuel from the point of injection into a pipeline to the obligated party's delivery system. Gas utilities may not use reductions in emissions from sources unrelated to combustion of fossil gas at customers' homes and

businesses in this State as emissions offsets or alternatives to reductions in the customers' own emissions.

Obligated parties must meet the heat decarbonization standard with the lowest societal cost combination of resources, where societal cost includes infrastructure costs, utility return on capital, the social cost of greenhouse gas emissions and leakage, and the cost of health impacts attributable to pollution from a given measure.

(220 ILCS 5/24-104 new)

Sec. 24-104. Demonstrating customer emission reductions.

(a) Each obligated party's emissions in each year shall be calculated as:

(1) a weather-normalized estimate of emissions from the actual amount of fossil methane consumed by its customers in the year, plus;

(2) a weather-normalized estimate of emissions from the leakage of methane, hydrogen, or other greenhouse gases from front or behind-the-meter sources in a given year, plus;

(3) a weather-normalized estimate of the magnitude of remaining emissions resulting from switching from fossil methane to lower-emitting liquid or gaseous fuels that are delivered by the obligated party and directly consumed by customers at the customers' homes or businesses in the year. The magnitude of remaining emissions resulting from

switching from fossil methane to lower-emitting liquid or gaseous fuels shall be calculated as (i) the magnitude of emissions that would have occurred had fossil methane continued to be consumed, multiplied by (ii) one minus the percent reduction in life cycle emissions resulting from the fuel substitution. Life cycle emission calculations shall account for emissions associated with the entire pathway of a fuel, including extraction, production, transportation, distribution, and combustion of the fuel by the consumer.

(b) Obligated parties shall calculate these figures annually, and electronically submit the figures in an easily accessible digital format, such as .PDF, .DOCX, or XLSX, to the Environmental Protection Agency, the Commission, the Governor, and the General Assembly.

(c) The Environmental Protection Agency shall post these figures for each utility on a website readily accessible to the public, within 30 days of obligated parties submitting the figures to the Agency, and shall maintain all previous years' records for similar public access.

(d) The Environmental Protection Agency shall also assess the emissions figures submitted by obligated parties to assess those parties' compliance or lack thereof with the heat decarbonization standard. If an obligated party does not comply, the obligated party shall be subject to enforcement mechanisms described in Section 24-108.

(220 ILCS 5/24-105 new)

Sec. 24-105. Tradable clean heat credits. A tradable clean heat credit is a tradable, intangible commodity that represents an amount of greenhouse gas reduction, measured in tons of CO_2, achieved by a gas utility from its customers in this State. An obligated party must achieve excess emission reductions, over and above its annual obligation, to sell tradable clean heat credits to another obligated party. The number of tradable clean heat credits sold by an obligated party in any year may not exceed the magnitude of the obligated party's excess emission reductions in that year.

(220 ILCS 5/24-106 new)

Sec. 24-106. Banking of emission reductions. An obligated party that achieves emission reductions in a given year that are in excess of its emission reduction obligation in that year may, in lieu of selling them to another obligated party, bank them. Emission reductions that are banked in a given year may be used to comply with emission reduction obligations in any of the following 3 years. Excess emission reductions may not be banked for more than 3 years or used as part of an obligated party's annual compliance more than 3 years after they were generated. No obligated party may achieve more than 20% of any annual emission reduction obligation using banked emission reductions.

(220 ILCS 5/24-107 new)

Sec. 24-107. Equity in emission reductions.

(a) As used in this Section:

"Equity investment eligible communities" has the meaning given to that term in the Energy Transition Act.

"Income-qualified households" means those households whose annual incomes are at or below 80% of the area median income.

(b) Each obligated party must achieve real emission reductions from income-qualified households and environmental justice communities that are at least 5 percentage points greater than a proportional percentage of the annual gas consumption of such customers multiplied by each obligated party's annual emissions reduction requirements. At least half of the emission reductions from equity investment eligible communities shall be from measures that require capital investments in homes, have expected lives of at least 10 years, and are estimated to lower annual energy bills. Emission reductions in equity investment eligible communities shall include codelivery and coordinated implementation of all relevant programs, measures, and complementary services. This includes, but is not limited to, pairing high efficiency electrification measures and programs with energy efficiency, building envelope improvements, the Illinois Solar for All Program, energy assistance, health and safety improvements, and federal incentives targeted to disadvantaged communities.

Emission reductions from income-qualified and environmental justice communities, including efforts to codeliver and coordinate other programs and services, shall be reported on at least annually to the Commission. Tradable clean heat credits cannot be used to fulfill this requirement.

(220 ILCS 5/24-108 new)

Sec. 24-108. Enforcement.

(a) The Commission shall order an obligated party that fails to achieve its emission reduction obligation in a given year, including required amounts from income-qualified customers and front-line communities, to make a noncompliance payment. The noncompliance payment shall be equal to 3 times the estimated cost per unit of emission reduction incurred by all obligated parties in the State for the emission reductions the obligated parties achieved in the prior year.

(b) The Commission may waive the noncompliance payment if:

(1) it finds that the obligated party made a good faith effort to achieve the required amount of emission reduction and its failure to achieve the required reduction resulted from market factors beyond its control, that could not have reasonably been anticipated, and for which the obligated party could not have planned; and

(2) it directs the obligated party to add the difference between its obligated level of emission reduction and actual emission reduction achieved to its

required emission reduction amount in subsequent years, with the shortfall being made up in no more than 3 years.

(c) Payments received pursuant to the noncompliance penalty shall be directed to the Commission.

(d) The Commission shall use any noncompliance payments to contract with an independent third party to achieve emission reductions in the service territory of the noncomplying utility. The Commission shall prioritize achieving such reductions from weatherization or electrification of income-qualified households, to the extent that such reductions would lower annual energy bills.

(220 ILCS 5/24-109 new)

Sec. 24-109. 2050 Heat Decarbonization Pathways Study.

(a) In order to ensure sufficient planning for achieving this goal, the Commission shall complete a 2050 Heat Decarbonization Pathways Study by June 1, 2025, to examine feasible and practical pathways for investor-owned natural gas utilities to achieve the State's decarbonization requirement to be net zero by 2050, and the impacts of decarbonization on customers and the electric and natural gas utilities that serve the customers.

(b) The Commission shall host the study in collaboration with a technical working group whose members are appointed by the Governor and a consultant selected by the technical working group. The Commission and technical working group

shall host a public process for stakeholder input regarding (i) the proposed scope of the study, (ii) initial draft assumptions for the study, (iii) draft study results, and (iv) the draft study report. The technical working group shall consist of the following members:

(1) one representative of natural gas utilities;

(2) one representative of electric utilities;

(3) the chair of the Commission, or the chair's designee;

(4) one representative of the Office of Decarbonization Planning within the Illinois Commerce Commission;

(5) one representative of the Environmental Protection Agency;

(6) one representative of an environmental advocacy group;

(7) one representative of a labor organization;

(8) one representative of commercial and industrial gas customers;

(9) one representative of an organization that represents residential ratepayer advocates;

(10) one representative of a group that represents environmental justice or front-line communities;

(11) one representative of a group that represents low-income residents;

(12) one representative of an organization that

focuses on access to and promotion of energy efficiency; and

(13) one climate scientist from a national laboratory or institution of higher education in the State.

(c) The 2050 Heat Decarbonization Pathways Study shall consider:

(1) future clean heating strategies for residential, commercial, and industrial customers, including electrification, geothermal heat and thermal networks, and energy efficiency that would comply with each gas utility's obligation under the heat decarbonization standard;

(2) a comparative assessment of the marginal greenhouse gas abatement cost curve of resources and technologies, including electrification, that are available for helping the utility meet its heat decarbonization standard requirements;

(3) how a reduction in natural gas and other utility-delivered gaseous fuels throughput will impact customer gas and electric rates, considering various price scenarios for electricity, natural gas, and other gaseous fuels and reference medium and high electrification scenarios;

(4) strategies to ensure equitable prioritization of decarbonization measures and programs in income-qualified and environmental justice communities while minimizing

energy transition costs on ratepayers, with an emphasis on an accessible and affordable transition for low-income residents, fixed-income residents, and residents within equity investment eligible communities;

(5) an assessment of demand-side resource potential, including load management, energy efficiency, conservation, demand response, and fuel switching, including electrification, available federal, State, county, local, and private incentives, or financing options related to building electrification and efficiency;

(6) that the federal incentives analysis must include ways that investor-owned utilities can leverage rebates and tax incentives in the Inflation Reduction Act and Infrastructure Investment and Jobs Act; in addition, the assessment must include ways for the investor-owned utilities to maximize low-income qualified households' participation in the electrification incentive programs;

(7) the impacts of building and vehicle electrification on the electric grid and strategies to integrate gas and electric system planning and resource optimization;

(8) specific natural gas end uses that may be suitable for the use of alternative fuels, such as biomethane and green hydrogen, and an assessment of the natural gas end uses' commercial availability, social cost, and life cycle

emissions;

(9) a comparative evaluation of the cost of natural gas purchasing strategies, storage options, delivery resources, and improvements in demand-side resources using a consistent method to calculate cost-effectiveness; and

(10) an evaluation of employment metrics associated with each alternative, including a projection of gas distribution jobs affected by a given alternative and jobs made available through the alternative, a description of opportunities to transition any affected gas distribution jobs to the alternative, and an explanation of how employment impacts associated with each alternative could affect equity investment eligible communities. Given its findings, the study will create a Just Transition Plan, inclusive of funding needs, for the current gas workforce.

(d) The Chair of the Commission, or the Chair's designee, will also serve as the Chair of the Technical Working Group.

(220 ILCS 5/24-110 new)

Sec. 24-110. Gas infrastructure planning.

(a) This Article creates the Office of Decarbonization Planning within the Commission to manage an iterative statewide heat decarbonization plan located within the Commission. On a timeline concurrent with the 2050 Heat Decarbonization Pathways Study, the Office of Decarbonization Planning shall adopt rules for implementing the heat

decarbonization plans.

(b) As used in this Section:

"Environmental justice communities" has the meaning given to that term in the Illinois Power Agency Act.

"Lowest reasonable cost" means the least-cost, least-risk mix of demand-side, supply-side, and electrification resources determined through a detailed and consistent analysis of a wide range of commercially available sources. At a minimum, this analysis must consider resource costs, resource availability, market-volatility risks, the risks imposed on ratepayers, resource effect on system operations, public policies regarding resource preferences, the cost of risks associated with environmental effects, including emissions of carbon dioxide, the ability to scale to meet 2050 goals, air pollution and resulting public health impacts, equity impacts, and the need for security of supply.

"Planned project" means any programmatic expense or related group of programmatic expenses with a defined scope of work and associated cost estimate that exceeds $1,000,000 in 2020 dollars or $500,000 in 2020 dollars for gas utilities with less than 50,000 full service customers, as adjusted annually for inflation.

"Resources" means both demand-side and supply-side resources, including, but not limited to, natural gas, biomethane, green hydrogen for industrial application, conservation, energy efficiency, demand response, and

electrification.

(c) Each natural gas utility regulated by the Commission has the responsibility to meet system demand and public policy requirements, including the State's heat decarbonization standard, with the lowest reasonable cost and most feasible mix of resources. In furtherance of that responsibility, each natural gas utility must develop a gas infrastructure plan for meeting the utility's heat decarbonization standard, including 5-year interim milestones from 2025 until 2050. The gas infrastructure plan must take into account the findings of the 2050 Heat Decarbonization Pathways Study.

(d) Natural gas utilities shall file biennial gas infrastructure plans that create alignment between gas utility distribution system investments and the utility's heat decarbonization standard obligations at lowest reasonable cost and that consider nonpipeline infrastructure projects that minimize costs over the long term.

(e) Before the filing of each biennial gas infrastructure plan, the Office of Decarbonization Planning shall contract for gas demand forecasts for each regulated gas utility in the State from an independent party. Gas utilities must reasonably provide accurate and timely system data to the independent contractor selected to conduct the forecasts. For each regulated gas utility in the State, the third party must produce forecasts for each customer class that consider slow, medium, and rapid acceleration of residential, commercial, and

industrial electrification of the end uses that rely upon the direct combustion of natural gas in buildings. The forecasts must include, to the extent possible, the effects of updated State and local building codes, changes to the number of gas utility customers, consumer responses to building electrification programs or incentives offered within a gas utility's service territory, the price elasticity of gas demand if rates increase due to reduced gas throughput and the impacts of commodity prices, and any other criteria as stipulated by the Commission. The forecasts shall be due to the Commission and the gas utilities at least 8 months prior to the filing of a gas infrastructure plan.

(f) A gas infrastructure plan must:

(1) cover the 20 years immediately following the approval of the plan with a 5-year action plan of investments;

(2) provide the estimated total cost and annual incremental revenue requirements of the proposed action plan, assuming both conventional depreciation and accelerated depreciation, as applicable;

(3) use the various gas demand forecasts provided to it under this article and include a range of possible future scenarios and input sensitivities for the purpose of testing the robustness of the utility's portfolio of planned projects under various parameters;

(4) take into account the findings of the 2050 Heat

Decarbonization Pathways Study;

(5) demonstrate that the utility's infrastructure investment plans align with obligations under the heat decarbonization standard;

(6) include a list of all proposed system expenditures and investments, including an analysis of infrastructure needs and detailed information on all planned projects within the action plan;

(7) include the results of nonpipeline alternative analyses conducted for all planned projects not necessary to mitigate a near-term safety or reliability risk subject to rules by the Commission that include, but are not limited to:

(A) a consideration of both supply and demand-side alternatives to traditional capital investments, including gas demand response and electrification; and

(B) a cost-benefit analysis of the various options that consider non-energy benefits and the societal value, including health benefits, of reduced carbon emissions and surface-level pollutants, particularly in equity investment eligible communities;

(8) minimize rate impacts on customers, particularly low-income households and households within equity investment eligible communities;

(9) describe the methodology, criteria, and assumptions used to develop the plan;

(10) include one or more system maps indicating locations of individual planned projects, pressure districts served by the individual project, locations of equity investment eligible communities, and any other information as required by the Commission;

(11) provide a summary of stakeholder participation and input from a public stakeholder process, and an explanation of how input was incorporated into the plan, including for all projects located within equity investment eligible communities, a description of its outreach to members of that community and findings from those efforts; and

(12) requires the utility, to the extent that the utility assumes the use of alternative fuels, such as biomethane or green hydrogen, to meet its obligations under the heat decarbonization standard, to demonstrate a plan to procure firm supply and cost-effectiveness as compared to nonfuel alternatives, inclusive of the costs to retrofit all public and private infrastructure to accommodate the fuels; green hydrogen may only be used for industrial applications; hydrogen blending with methane shall not be part of decarbonization plans.

(g) Not later than 12 months before the due date of a plan, the utility must provide a work plan for the Commission to review. The work plan must outline the content of the resource plan to be developed by the utility, the method for assessing

potential resources, and the timing and extent of public participation. In addition, the Commission will hear comments on the plan at a minimum of 3 public hearings, held at times and locations accessible and convenient to most people, including at least one in an equity investment eligible community, which are scheduled after the utility submits its plan for Commission review.

(h) No later than July 1, 2025, gas utilities in this State must file the first gas infrastructure plan application for approval. The Commission may approve, deny, or require modifications to the plan. Once approved, the plan must be incorporated into the utility's next general rate case using the approved ratemaking treatments. Deviations based on unforeseen circumstances must be justified and approved by the Commission.

(i) The Commission shall adopt new rules, amend existing rules, as necessary, and dedicate sufficient resources to implement this Section.

(220 ILCS 5/24-111 new)

Sec. 24-111. Study on gas utility financial incentive reform.

(a) The General Assembly finds that:

(1) Improving the alignment of gas utility customer interests, State policy, and company interests is critical to ensuring the expected decline in the use of natural gas

is done efficiently, safely, cost-effectively, and transparently.

(2) There is urgency around addressing increasing threats from climate change and assisting communities that have borne disproportionate impacts from climate change, including air pollution, greenhouse gas emissions, and energy burdens. Addressing this problem requires changes to the energy used to power homes and businesses, and changes to the gas utility business model under which utilities in the State have traditionally functioned.

(3) Gas utility ratepayers may face upwardly spiraling bills if steps are not taken to contain costs and strategically prune parts of the gas distribution network.

(4) There is a need to encourage gas utilities to innovate and find new lines of business to maintain financial health as their main business, the provision of fossil natural gas, winds down.

(5) The current regulatory framework has encouraged infrastructure programs that have been plagued by excessive cost overruns and delays.

(6) Discussions of performance incentive mechanisms must always take into account the affordability of customer rates and bills via stakeholder input.

The General Assembly, therefore, directs the Commission to reform the gas utility financial incentives structure to further specified goals and objectives related to the

provision of clean, affordable heat and the advancement of an equitable distribution of benefits and reduction in harms in equity investment eligible communities and economically disadvantaged communities.

(b) The Commission shall open an investigation to consider performance-based ratemaking tools and other financial mechanisms to advance the goals of affordability, equity, pollution reduction, energy system flexibility and electrification, reliability, safety, customer experience, cost-effectiveness, and the financial health of gas utilities as the gas utilities scale down their core business of delivering fuel-based energy through the distribution network. The investigation shall consider the following mechanisms, in addition to any others that the Commission or stakeholders deem necessary:

(1) accelerated and shortened depreciation schedules;

(2) performance metrics and benchmarking;

(3) revenue decoupling;

(4) cost-recovery options for nonpipeline alternatives;

(5) electrification;

(6) networked geothermal systems;

(7) securitization;

(8) fuel-cost sharing;

(9) multiyear rate plans;

(10) performance incentive mechanisms;

(11) the equalization of capital and operational expenditures;

(12) return on equity levels for different investment types;

(13) rate designs at the electric and gas nexus;

(14) low-income rates;

(15) luxury gas rates; and

(16) intersectoral cost recovery.

(c) The Commission must create a framework to evaluate each mechanism on its own and as part of a set of mechanisms to achieve the policy objectives determined by the General Assembly, stakeholders, and the general public after a minimum of 3 public hearings held at times and locations accessible and convenient to most people, including at least one in an equity investment eligible community.

(d) The investigation shall consist of a series of workshops facilitated by an independent consultant that encourages representation from diverse stakeholders, ensures equitable opportunities for participation, and does not require formal intervention or representation by an attorney.

(e) Any recommendations at the conclusion of the process must be shared with the General Assembly, and those recommendations already within the Commission's existing authorities must be adopted in the next applicable general rate case or relevant filing.

(220 ILCS 5/24-112 new)

Sec. 24-112. Reporting requirements.

(a) Each gas utility in the State must report data to the Commission in January and July of each year that satisfy metrics that are set by the Commission to assess, on a system, segment, and neighborhood basis, the level of system safety and risk. The metrics must include, but are not limited to, the following:

(1) the overall average leak rate of replaced and to-be-replaced mains and leak-prone pipes;

(2) the overall average leak rate using only leak-prone pipe and current leaks;

(3) the neighborhood average leak rate using only remaining leak-prone pipes and current leaks; and

(4) the neighborhood historic average leak rate using leaks on leak-prone pipes for the past 2 years, on a rolling basis, normalized for weather, and incorporating all class 2 leaks except third-party damage.

(b) Gas utilities must include in the report an assessment of whether the actions taken in the prior 3 years produced the best value, in terms of risk reduction, for the amounts expended and a prediction of how planned projects will change risk levels on a neighborhood, segment, and system basis. The report filed by Peoples Gas Light and Coke Company must also include updates on steps taken to implement the recommendations of the Final Report on Phase One of an

Investigation of Peoples Gas Light and Coke Company's AMRP. The Commission may require any other gas utility to adopt new and revised practices and processes by Peoples Gas Light and Coke Company to ensure consistency across utilities.

(c) In its review of the data and metrics provided, the Commission may order adjustments in infrastructure replacement plans as it deems necessary to meet an acceptable level of risk at appropriate cost.

(220 ILCS 5/Art. XXV heading new)

ARTICLE XXV. STATE NAVIGATOR PROGRAM LAW

(220 ILCS 5/25-101 new)

Sec. 25-101. Short title. This Article may be cited as the State Navigator Program Law. References in this Article to "this Act" mean this Article.

(220 ILCS 5/25-102 new)

Sec. 25-102. Intent. The General Assembly finds that improving the energy efficiency of, and reducing the greenhouse gases from, residential buildings are critical to meeting the State's adopted climate goals in Public Act 102-662.

The General Assembly recognizes that making information about energy efficiency and weatherization programs, electrification services, skilled contractors, and federal and

State electrification incentives available to State residents will assist the State in meeting its adopted climate goals in Public Act 102-662. Further, the General Assembly recognizes that establishing a comprehensive statewide navigator program is essential to ensuring equitable access to electrification and energy efficient services. This program requires the Administrator to help educate residents on how to combine local, State, federal, and utility services related to electrification, energy efficiency, and the reduction of energy burdens to maximize electrification and energy efficiency in this State.

(220 ILCS 5/25-103 new)

Sec. 25-103. Definitions. As used in this Article:

"Administrator" means an entity, including, but not limited to, a nonprofit corporation or community-based organization. "Administrator" does not include an energy utility.

"Customers" means residents, tenants, homeowners, and building owners.

"Department" means the Department of Commerce and Economic Opportunity.

"Electrification services" includes energy audits, assistance converting to on-site renewable energy, electric load service center upgrades, new electric wiring, installing electric heat pumps and heat pump water heaters, cooking

equipment, clothes dryers, and other electric appliance replacement, financing, energy efficiency, weatherization, health and safety improvements, and any energy upgrade services and work.

"Equity investment eligible communities" has the meaning given to that term in Section 5-5 of the Energy Transition Act.

"Income-qualified households" means those whose annual incomes are at or below 80% of area median income.

"Navigator Working Group" means representatives appointed by the Department who represent members from either the electrician trades, construction industry, community organizations that work in energy burdened communities, community organizations who have experience with weatherization programs, members from equity investment eligible communities or the Illinois Commerce Commission or staff, electric utilities, and other stakeholders deemed necessary by the Administrator.

(220 ILCS 5/25-104 new)

Sec. 25-104. Creation of State navigator program.

(a) The Department may establish and oversee a statewide building energy upgrade navigator program. The purpose of the navigator program is to provide a statewide resource to assist building owners and building renters with accessing information about electrification services, energy efficiency services, programs, funding, and any other assistance that

will result in aiding the State in meeting its adopted climate goals in Public Act 102-662. This includes, but is not limited to, utility programs, the weatherization assistance program, solar for all, federal funding and financing, and State and local funding and financing.

(b) The Department must coordinate and collaborate with the navigator working group on the design, administration, and implementation of the navigator program.

(c) The Department must ensure that all State residents have equitable access to the navigator program.

(d) The Department may consult with other programs, entities, and stakeholders as the Department determines to be appropriate on the design, administration, and implementation of the navigator program. The department must solicit public feedback on design and implementation decisions from stakeholders.

(e) Third-Party Administrator.

(1) The Department may contract out this program to the Administrator. Subject to the following requirements:

(A) The Administrator must be selected through a competitive process.

(B) The Administrator must have experience with running statewide programs related to energy efficiency, electrification services, or weatherization programs.

(C) The Administrator must have experience working

with multifamily building owners and renters.

(D) The Administrator must have experience assisting people with low incomes or energy burdened households.

(E) The Administrator must have experience running programs in both urban and rural parts of the State, including covering a range of geographic and community diversity.

(2) If the Department decides to hire an Administrator, they must enter into a contract within a year of the effective date of this amendatory Act of the 104th General Assembly.

(3) If the Department decides to hire an Administrator, the contract expires after 4 years. After 4 years, the Department can renew the contract or select a different Administrator. If the Administrator is not meeting the requirements of the program and its participants, the contract may be terminated early, and a new Administrator may be hired.

(4) The Administrator shall have the same responsibilities as the Department in creating, overseeing, and implementing the programs in the navigator program.

(f) The Department or Administrator of the navigator program must:

(1) provide outreach to:

(A) owner occupied and rental residences; and

(B) single-family and multifamily dwellings;

(2) provide coverage for all geographic regions in the State;

(3) create strategies to ensure that the navigator program prioritizes outreach in equity investment eligible communities;

(4) create a strategy for how the navigator program will equitably assist residents in accessing rebates and incentives in the federal Inflation Reduction Act;

(5) create a strategy for how the navigator program will assist customers in accessing State funding opportunities available to access electrification services;

(6) create a strategy to stack funding from all available incentives and tax rebates that may leverage existing State software where possible with the goal of creating a single interface for clients to access information about weatherization, energy efficiency, and electrification services;

(7) support the integrated implementation of all relevant clean building programs funded in the State budget, including, but not limited to:

(A) the Low Income Home Energy Assistance Program; and

(B) the Illinois Home Weatherization Assistance

Program; and

(8) maintain a recommended contractor list.

(220 ILCS 5/25-105 new)

Sec. 25-105. Education materials and outreach. The Department or Administrator shall:

(1) create educational materials, which must include:

(a) information about all relevant funds and financial assistance available from federal, State, local, and energy utility programs, including, but not limited to, incentives, rebates, tax credits, grants, and loan programs; and

(b) information for households on the economic, health, climate, and safety benefits of eligible retrofits.

(2) support and connect community-based organizations in their region to training programs in areas of electrification, energy efficiency, building envelope, and installation technical assistance, and other relevant areas; and

(3) ensure the education and outreach work is coordinated with other State energy efficiency, weatherization, electrification, and related programs and providers.

Section 99. Effective date. This Act takes effect upon becoming law.

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