

**Comments of Peoples Gas and North Shore Company to ICC Staff's First Request for  
Comments in the Thermal Energy Workshops**

In accordance with the schedule set by the Illinois Commerce Commission (“Commission”) Staff (“Staff”), North Shore Gas Company (“North Shore” or “NS”) and The Peoples Gas Light and Coke Company (“Peoples Gas” or “PGL”) (together, the “Companies”) hereby respectfully submit to the Illinois Commerce Commission (“Commission” or “ICC”) these Comments in the Thermal Energy Network Forum, which was initiated pursuant to proposed Section 4-610 of the Public Utilities Act (the “Act”). 220 ILCS 5/4-610. The Companies appreciate the work that Staff has undertaken so far to initiate the discussion regarding thermal energy networks (TEN’s) in Illinois and welcome the opportunity to submit these comments.

**Introduction**

The issues before the Commission in this forum have the potential to affect the health and welfare of Illinois citizens, the Companies’ workforce, and skilled labor in the State, the decarbonization of buildings, as well as the environment.

As a matter of background, North Shore is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 200 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of purchasing, distributing and selling natural gas to approximately 163,000 customers in Cook and Lake Counties, Illinois. North Shore is a public utility within the meaning of the Act. Peoples Gas is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 200 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of purchasing, distributing and selling natural gas to approximately 878,000 customers in the City of Chicago. Peoples Gas is a public utility within the meaning of the Public Utilities Act (“Act”).

### Appropriate Ownership Structure

The Companies believe that public utilities as defined in Section 3-105 of the Act are best suited to own and operate TENs in the State of Illinois. 220 ILCS 5/3-105. Public Utilities have the requisite access to capital, expertise in safety protocol and qualification, experience with placing infrastructure in public rights of way, the existing energy infrastructure, and a skilled union workforce to partner with the State of Illinois in deploying thermal energy networks. This is clearly the model that is currently being implemented in the States of Massachusetts, Colorado, and New York which are the States that are the furthest along in the investigation and development of TENs.

### Appropriate Market Structure

In establishing the market structures to govern the deployment of TENs in the State of Illinois, the Commission should look to the existing market structures, rules and regulations, and other long-standing regulatory regimes that apply to regulated public utilities in Illinois to help shape the deployment of TENs in Illinois. In other words, there is no need to reinvent and create an entirely new market structure or regulatory regime for TENs. The various provisions of the Act that govern public utilities, gas utilities, and electric utilities would apply with equal force.

If a public utility wished to construct new “plant, equipment, property, or facility” to deploy TENs, then the Commission could require the filing of a Certificate of Public Convenience and Necessity (“CPCN”) pursuant to the applicable provisions of Section 8-406 of the Act. 220 ILCS 5/8-406. By using the CPCN process in the context of the deployment of TENs, the Commission will retain its broad authority and oversight for any proposed construction and deployment under

Article VIII of the Act. The Commission may wish to consider applying the expedited provisions of Section 8-406.1 to the deployment of TENs.

#### Appropriate Rate Structures

Similarly, if the Commission is interested in the wide deployment of TENs in Illinois, then the Commission should apply the appropriate rate mechanism that properly incentivize public utilities to make the required investments, deployment of capital, and cost recovery mechanisms afforded under the Act. In particular, rates should be set consistent with the manner in which gas and water rates are set in Illinois and consistent with industry practice for regulated public utilities as outlined in the manuals and guidelines authored by the National Association of Regulatory Commissioners. For example, the applicable provisions of Article IX of the Act can govern the Commission's efforts to deploy TENs in Illinois, including the alternative ratemaking provisions in Section 9-244. 220 ILCS 5/9-244. Moreover the Companies believe that public utilities who seek to operate and/or construct facilities obtain a Certificate of Public Convenience and Necessity pursuant to 220 ILCS 5/8-406 et al.

#### Provision of Thermal Energy Networks In the Public Interest?

It is difficult, at this early stage, to appropriately answer this question at this time. However, it appears that the General Assembly may have already reached a policy decision that TENs are in the public interest by virtue of the passage of the legislation that has led the Commission to initiate this process. That being said, the Commission may wish to follow the lead of Massachusetts and take a measured approach to TENs by seeking pilot proposals for deployment of TENs from gas utilities in Illinois. Such a measured approach to the deployment can serve to

better educate the Commission, public utilities, customers, and other stakeholders regarding the best means by which to deploy TENs in Illinois.

Conclusion

The Companies look forward to continue working with the Commission Staff and other stakeholders to meet the goals of the General Assembly in a manner that ensures the continued safe, reliable, and cost-effective utility service.

Respectfully submitted,

**NORTH SHORE GAS COMPANY AND  
THE PEOPLES GAS LIGHT AND COKE COMPANY**

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