

IPA Integrated Resource Planning Workshop #3: Customer Cost Impacts Methodology

May 26, 2026

Respondent Name: M. Gavin McCarty

Respondent Organization: Benesch Friedlander on behalf of Nicor Gas

Respondent Email Address: gmccarty@beneschlaw.com

Respondent Zip Code: 60067

Question 1

How should “commercial” versus “industrial” customer classes be defined for purposes of reporting customer cost impacts?

Nicor Gas recommends that customer classes be defined using the attributes that set retail rates, which are primarily driven by energy and demand levels. This approach will allow the study’s “customer” classes to be defined consistently with Illinois utility “retail rate” classes, with rate classes mapping cleanly into each customer class. This is consistent with how the utilities currently allocate costs for energy efficiency riders, which are segregated into three classes (residential, small business, and large business). Presuming that E3 is performing separate analyses for PJM and MISO systems, Nicor Gas also recommends that E3 define “customer” classes differently for PJM versus MISO, with PJM customer classes matching ComEd’s rate class definitions, and MISO customer classes matching Ameren’s. E3 will likely also need to make additional adjustments for each ISO to address MidAmerican and the other smaller public utility systems. Nicor Gas also recommends E3 define a fourth “very large” class to cover the hyperscale customers, like data centers and very large industrials. (See response to Question #2.) To delineate between commercial, industrial, and “very large” customers, Nicor Gas recommends the following for PJM, as defined in ComEd’s current rate schedule under the Energy Efficiency Pricing & Performance (EPPP) Rider: • Commercial: Small N&L Group • Industrial: Large N Group (>1 MW demand or >69kV service) • Very Large: >50 MW (see below for rationale) The “Very Large” class aligns with the ICC Decision and Order, issued March 19, 2026 (Docket No.’s 25-0677, 25-0679), approving ComEd’s proposal to establish a Large Demand Project Applicant or Customer as a customer requesting service equal to or greater than 50 MW. For MISO we recommend the following classes, as defined in Ameren’s current rate schedule under Rider EE: • Commercial: Small Non-Residential (Rate DS-2 & 5) & Medium Non-Residential (Rate DS-3 & DS-6*) • Industrial: Large Non-Residential (Rate DS-4 and DS-6*) • Very Large: >50 MW Nicor Gas recommends aligning the “Very Large” load class with the definition established for PJM customer classes above. *Note: Rate DS-6 (Temperature Sensitive DS) is an optional rate for DS-3 and DS-4 customers. Additionally, E3 should provide stakeholders with the methodology for selecting the scenario

subset, along with the scoring rubric and scores for each scenario (as applicable). E3 should also clarify the number of subsets subject to the revenue requirement analysis.

Question 2

If “commercial” and “industrial” are defined using load thresholds, what threshold(s) do you recommend and why?

Nicor Gas recommends that E3 define a fourth “very large” class to cover the hyperscale customers like data centers and very large industrials. This “long tail” of the customer distribution drives disproportionately high needs for peak demand, energy, and Renewable Energy Credits (RECs). The initial driver behind CRGA was for the state to understand and mitigate these hyperscalers’ impact on the electric grid and rates, and so diluting this group with other “large” industrial customers will limit the study’s ability to answer the questions most important to the legislature and to the Commission. However, lumping all the “not very large” customers into one “non hyperscale” class will also lessen the value of the other nonresidential results. For this reason, Nicor recommends E3 create a fourth class of hyperscale customers, and maintain three additional classes for residential, small commercial, and large (but not hyperscale) customers. See response to Question #1 for Nicor Gas recommendation for how to split commercial vs. industrial customers.

Question 3

For the stakeholder group(s) that you are representing in the IRP process, what are you hoping to learn from the cost impact analysis specific to the customer group you are interested in?

Nicor Gas is interested in learning about the costs required to maintain provide a reliable, resilient electric grid for all scenarios, including the unique policy goals and constraints defined in each. Nicor Gas is interested in the costs and prices for each scenario across all customer groups. Given potential shifts in cost allocation between customer groups across the study period, and between scenarios, Nicor Gas recommends that the cost allocation factors be dynamic both temporally and across scenarios as applicable. Nicor is interested in the results in the early years of the study. Given the results of the 2025 IL Resource Adequacy Study, which suggest a potential capacity shortfall within the first 5 years of the study period, Nicor Gas recommends that this data be provided in annual granularity for the same period. Nicor Gas is interested in learning how costs/rates change under higher-demand scenarios driven by high building electrification. Nicor recommends that all forecasts (and program costs) reflect specific drivers (e.g., forecasted heat pump adoption) rather than just undefined “high/low” scenarios or sensitivities. Nicor Gas is interested in learning how costs/rates will change if hyperscalers install on-site generation rather than relying on the electric grid. How will these costs/rates differ if onsite generation comes from peaker plants vs. baseload plants vs. CHP? Additionally, Nicor Gas is interested in receiving additional details on how distribution investment costs will be calculated. E3 states that “New distribution investments will be modelled outside of PLEXOS based on peak load growth forecasts (which are an input to PLEXOS)”. What methodology or algorithm will be used to translate coincident system peak demands to the noncoincident local demands that drive distribution and

some transmission investments? And how will those local peak demands be translated into dollars of investment? Nicor Gas is similarly interested in receiving additional details on generation cost calculations. On page 11 of the May 26 presentation, E3 illustrated how generation costs and prices will be driven by both production costs (driven by producers' fixed and variable costs) and market prices (driven by market-clearing prices). Please explain how E3 will define the producers' cost of capital required to set fixed costs, when producers' actual costs of capital will be set by the eventual market-clearing price. Lastly, a Present Value of Revenue Requirement (PVRR) analysis provides an incomplete view of the costs to be borne by customers when actions include customer-side programs. For example, a PVRR analysis of a scenario that includes electrification programs would include only the costs borne by the utility, but not the likely substantial costs borne by customers, and would, therefore, provide a misleading view of the feasibility of the scenario.

Question 4

E3 proposes to estimate the future delivery revenue requirement by starting with the current delivery revenue requirement and applying a growth rate based on historical authorized revenue requirement increases over the past 10 years, along with modeled additions for new transmission and distribution investments. Do you believe this is a reasonable approach for projections?

Yes, but should be adjusted

Question 5

If "Yes, but should be adjusted" or "No" was selected in the previous question, what adjustment is most appropriate?

Use a different historical window

Question 6

If "Use a different historical window" was selected in the previous question, what lookback period should be used to estimate the growth rate and why?

Electric delivery revenue requirements over the last ten years have likely been elevated due to utilities' heavy investment in grid modernization. It will be important for E3 to ensure that the incremental costs of modelled scenarios are, in fact, incremental and not effectively captured by the high historical spend rate. Delivery revenue requirements for energy efficiency, electrification, low-income assistance, onsite solar, onsite storage, and other programs should not be simply extrapolated from historic data, but should be calculated consistent with the drivers of each scenario. For example, high growth scenarios driven by high building and transportation electrification should reflect the program costs required to drive those high adoption levels. And costs for low-income programs (e.g., weatherization, electrification, discounted rates, bill assistance, Solar for All, etc.) should also be consistent with the program costs required to drive adoption levels, as well as the overall revenue requirements and rates that drive bill assistance program costs. E3 should also confirm that the historical extrapolation will only be used to capture the "Delivery-Base" category outlined on page 13 of the May 26 presentation.

Question 7

Energy burden is defined as the percentage of a household's annual income spent on household energy bills. What baseline would be most useful for examining energy burden in the IRP (e.g., historical, business-as-usual, etc.)?

The baseline should include the historical rate of delivery investment, and be aligned with all currently mandated program spending. Individual scenarios should also reflect the costs associated with low-income support programs for energy efficiency, electrification, bill assistance, solar, and other areas, as well as the outcomes from those programs in lowering energy burden. Nicor Gas further recommends that energy burden classifications be aligned with ACEEE guidance (High Energy Burden >6% of gross household income, Severe Energy Burden >10% of gross household income).

Question 8

Are there data sources available at the community or census-tract level in Illinois that should inform how EJ and equity investment eligible communities are identified and characterized?

CEJA created definitions of Equity Investment Eligible Communities. These can be found on the Energy Equity Illinois website: Equity Investment Eligible Community Map (<https://energyequity.illinois.gov/resources/equity-investment-eligible-community-map.html>.) For Electric Utility Energy Efficiency programs, Sections 8-103B and 8-104 of the Illinois Public Utilities Act define low-income customers as those falling below 80% of Area Median Income (AMI) and moderate-income customers as those falling between 80% and 100% of the Area Median Income. Nicor Gas follows the EE policy Manual (linked here: https://www.ilsag.info/wp-content/uploads/IL_EE_Policy_Manual_Version_3.1_FINAL_10-8-2025.pdf) by geocoding residential customers to a census tract, estimating % Income Eligible of population, % of Revenue and Usage related to 150% Poverty threshold and 80% AMI levels. The latest IL Census data and HUD population-weighted averages for 80% AMI for each census tract are utilized in this analysis.

Question 9

What are the most significant barriers to participation in existing programs for EJ and/or equity investment eligible communities, e.g. upfront costs, eligibility restrictions, lack of information, or structural factors like renter status?

Affordability of energy-efficient products and services is a common barrier across underserved populations. See <https://www.aceee.org/sites/default/files/pdfs/B2301.pdf>. In Nicor Gas's experience, waiting lists for services exceed the budgets available for the joint electric/gas energy efficiency programs. Secondary barriers include low awareness of the programs and low technical understanding of energy efficiency, renewable, and other technologies. Additional factors for energy efficiency programs have been outlined in program evaluation reports that can be found on the IL-SAG website: <https://www.ilsag.info/evaluation-documents/final-evaluation-reports/>