

ILLINOIS · GAS UTILITIES · CAPITAL BRIEFING

The state that paused an \$8 billion pipe program is where every gas capital dollar now gets tested.

Illinois regulators halted the Peoples Gas System Modernization Program over runaway costs, retired the QIP surcharge, and set a 2035 deadline for cast-iron replacement — all while decarbonization reshapes long-horizon throughput. Each of those forces moves the projects on your list. Invizion helps gas utilities re-sequence a capital portfolio in a click — and defend every decision to the ICC.

\$8B+ ¹	Jan 1, 2035 ²	2,284,000 ³	~4M ⁴
Projected cost of the Peoples Gas Chicago pipe-replacement program by 2015 — nearly double the \$4.45B estimated in 2012. ¹	ICC deadline for Peoples Gas to replace all cast- and ductile-iron main under 36 inches — after the program was paused in November 2023. ²	Nicor Gas customers — the state's largest LDC, serving the northern third of Illinois outside Chicago. ³	Residential natural gas customers statewide — Illinois is one of the most gas-heated states in the country. ⁴

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THE ILLINOIS LANDSCAPE

Four forces are moving your project list at once

In Illinois, the pressures on a gas capital plan are unusually concrete: a landmark program was ordered to stop, a surcharge disappeared, a decarbonization clock is running, and every rate case is contested. The plan you filed last year may already be the wrong plan.

INTEGRITY & AGING PIPE

A paused program and a hard 2035 clock

Peoples Gas launched its System Modernization Program in 2011 to replace roughly 2,000 miles of aging cast- and ductile-iron main beneath Chicago.²¹ Costs escalated from a \$4.45 billion estimate in 2012 to more than \$8 billion by 2015, with per-mile costs climbing from about \$3 million to \$4.8 million as roughly \$2 billion was spent over seven years — leaving some 1,800 miles still in the ground.¹⁵

In November 2023 the ICC ordered Peoples Gas to pause SMP spending; in February 2025 it directed the utility to replace all cast- and ductile-iron pipe under 36 inches by January 1, 2035 — a mandated schedule that will drive capital sequencing for a decade.²

DECARBONIZATION PRESSURE

A net-zero clock over a multi-decade pipe plan

Illinois's Climate and Equitable Jobs Act, signed in September 2021, puts the power sector on a path to net-zero carbon by 2045 and the state economy to net-zero by 2050.⁶ Chicago adopted an Energy Transformation building code in 2022, and advocates pressed hard for building electrification during the Peoples Gas rate case.⁷

For a utility committing billions to multi-decade pipe replacement, declining throughput and stranded-asset risk are no longer hypothetical — they are inputs to every long-horizon capital decision.⁷

SUPPLY & AFFORDABILITY

Winter peaks meet rising bills

Illinois heats predominantly with natural gas, and the residential delivered price reached about \$11.25 per thousand cubic feet in 2025.⁸ Winter design-day peaking and commodity shocks — most recently the February 2021 Winter Storm Uri price spike — flow through to customers on top of infrastructure surcharges.

With roughly a third of Chicago households already struggling to pay gas bills, affordability has become a first-order constraint on how fast capital programs can move.⁷

CAPITAL RECOVERY & RATES

The surcharge is gone; everything runs through rate cases

The Qualifying Infrastructure Plant (QIP) surcharge — authorized under a 2013 law to recover pipe-replacement costs between rate cases — expired in December 2023.⁹ Peoples Gas now recovers modernization costs through base rates, and utilities must justify infrastructure in full ICC proceedings.²

Those cases are contested: Peoples Gas sought a record \$402 million increase (Docket 23-0069), while Ameren Illinois's gas business won a December 2025 order at a 9.60% ROE on a \$3.2 billion rate base.^{7,9}

WHO DELIVERS ILLINOIS'S GAS

Four investor-owned LDCs carry almost all of it

Illinois gas distribution is overwhelmingly investor-owned and ICC-regulated. Four utilities — Nicor Gas, Peoples Gas, North Shore Gas, and Ameren Illinois — serve the vast majority of the state's customers; municipal gas is a small niche.

Investor-owned gas utilities

Rates & capital recovery regulated by the ICC

Nicor Gas (Southern Company Gas)	2,284,000 customers · northern Illinois · ~34,000 miles of pipe ³¹⁰
Peoples Gas (WEC Energy Group)	~1,000,000 customers · City of Chicago · ~4,300 miles of main ²¹¹
North Shore Gas (WEC Energy Group)	~158,000 customers · northern suburbs / Lake County ²¹¹
Ameren Illinois	Natural gas across central & southern Illinois ⁹
Smaller regulated LDCs	A handful of small utilities (e.g. Mt. Carmel Public Utility) serve rural downstate areas

Nicor Gas alone serves more than 2.28 million customers; its parent, Southern Company Gas, planned roughly \$2.0 billion of capital across its utilities in 2025.³

Municipal & public gas

Locally governed — a small share of the state

Illinois Municipal Gas Agency (IMGA)	Joint-action agency providing wholesale natural gas to member municipal utilities
Municipal gas distribution systems	A small number of city-run LDCs, mostly downstate
Gas cooperatives	Effectively none — Illinois gas distribution is investor-owned-dominated

Unlike the electric sector, Illinois has little municipal or cooperative gas service. That concentration means the state's gas capital story is largely the story of four ICC-regulated companies.

Every capital dollar has to be defensible

The Illinois Commerce Commission sets rates and reviews capital recovery for the state's gas LDCs — and, as Peoples Gas learned, it will pause a program it judges imprudent.

Illinois Commerce Commission (ICC) regulates rates, cost recovery, and infrastructure programs for Nicor Gas, Peoples Gas, North Shore Gas, and Ameren Illinois¹²

The QIP surcharge sunset (December 2023). The Qualifying Infrastructure Plant rider, authorized in 2013 to recover pipe-replacement costs between cases, expired — shifting recovery back into base-rate proceedings⁹²

The Peoples Gas SMP pause. In November 2023 the ICC ordered the System Modernization Program halted pending an investigation; in February 2025 it set a January 1, 2035 deadline to replace cast- and ductile-iron pipe under 36 inches²

Recent rate cases. Peoples Gas requested a record \$402 million increase (Docket 23-0069); Peoples Gas and North Shore Gas rates reflect a 9.38% authorized ROE, and Ameren Illinois's December 2025 gas order set a 9.60% ROE on a \$3.2 billion rate base⁷²⁹

In Illinois, the money comes from rates — not grants

There is little federal money flowing to Illinois's investor-owned gas systems. Modernization is funded through ratepayer-backed capital and recovered in ICC proceedings — which makes disciplined, defensible sequencing the whole game.

QIP surcharge — now expired (Dec 2023). The between-cases infrastructure rider that funded a decade of accelerated replacement has sunset; recovery now runs through base rates⁹

Base-rate recovery of the SMP. Beginning December 1, 2023, Peoples Gas recovers System Modernization Program costs in base rates rather than a rider — every dollar subject to prudence review²

Utility capital budgets. Southern Company Gas — Nicor's parent — planned roughly \$2.0 billion of capital across its utilities in 2025, and Ameren Illinois's gas rate base stands at about \$3.2 billion³⁹

Federal safety grants are limited here. PHMSA's Natural Gas Distribution Infrastructure Safety & Modernization program targets municipal and community-owned systems — not the large investor-owned LDCs that serve most of Illinois, which fund modernization through ratepayer capital.

ILLINOIS GAS, IN BRIEF

Questions Illinois gas utility leaders are asking

Short, sourced answers — the same facts we dig into with utilities looking at their capital programs.

What happened to the Peoples Gas pipe-replacement program?

The System Modernization Program, launched in 2011 to replace about 2,000 miles of cast- and ductile-iron main, saw its cost estimate climb from \$4.45 billion (2012) to more than \$8 billion (2015). In November 2023 the ICC ordered it paused over runaway costs; in February 2025 it required all cast- and ductile-iron pipe under 36 inches to be replaced by January 1, 2035.¹²

What was the QIP surcharge and why did it end?

The Qualifying Infrastructure Plant rider, authorized under a 2013 law, let gas utilities recover pipe-replacement investment between rate cases. It expired in December 2023, so infrastructure spending must now be recovered through full base-rate proceedings before the ICC.³²

Who are Illinois's largest natural gas utilities?

Nicor Gas (Southern Company Gas) is the largest with about 2.28 million customers across northern Illinois; Peoples Gas serves roughly one million in Chicago and North Shore Gas about 158,000 in the northern suburbs (both WEC Energy Group); and Ameren Illinois serves central and southern Illinois.³²⁹

How is decarbonization affecting Illinois gas utilities?

Illinois's 2021 Climate and Equitable Jobs Act targets net-zero carbon power by 2045 and a net-zero economy by 2050, and Chicago adopted an Energy Transformation building code in 2022. That creates declining-throughput and stranded-asset risk for utilities committing billions to multi-decade pipe programs.⁶⁷

What returns are Illinois gas utilities authorized to earn?

Recent ICC decisions set Peoples Gas and North Shore Gas rates at a 9.38% authorized ROE, and Ameren Illinois's December 2025 gas order set a 9.60% ROE on a roughly \$3.2 billion rate base — with rate increases, such as Peoples Gas's record \$402 million request, actively contested.³⁹⁷

How does Invizion help Illinois gas utilities plan capital?

Invizion is scenario-based capital portfolio optimization for utilities. It lets you model how a paused program, a surcharge sunset, a 2035 mandate, or a declining-throughput forecast reshuffles your whole project list, re-sequence the portfolio automatically against your constraints, and keep a defensible record of every trade-off for the ICC.

REFERENCES

Sources

Every figure in this briefing is tied to a primary or authoritative source.

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12. Illinois Commerce Commission — regulator of rates and infrastructure cost recovery for Illinois gas distribution utilities. icc.illinois.gov

ABOUT INVIZION

Capital program optimization for utilities

Invizion is a purpose-built capital lifecycle management platform for utilities. It integrates budgeting, CIP, scenario analysis, and funding-source tracking in one system — so utilities can re-sequence a capital portfolio in a click and demonstrate audit-ready, defensible decisions to regulators, boards, and rating agencies.

See how utilities keep capital plans current and defensible with Invizion.

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