

Comments of the Natural Resources Defense Council

To the Illinois Power Agency on Its

Draft Electricity Procurement Plan for the period June 2013 to May 2018

September 14, 2012

The Natural Resources Defense Council (NRDC) is pleased to submit the following comments on the Draft Electricity Procurement Plan (“Draft Plan”). The comments herein relate exclusively to Section 7.1 of the Draft Plan, which pertains to the proposed incremental energy efficiency to be achieved by the utility and third-party programs pursuant to 220 ILCS 5/16-111.5B, and recommends approval of the new and incremental programs proposed by Commonwealth Edison (ComEd) and Ameren Illinois (Ameren). NRDC concurs with this recommendation and offers comments on issues raised by the Illinois Power Agency (IPA) for consideration by the Illinois Commerce Commission (ICC). While NRDC does not specifically comment on the other sections of the Draft Plan, we would like to note our support for the comments submitted by the Environmental Law and Policy Center and Wind on the Wires regarding procurement of renewable energy and distributed generation.

This Draft Plan is the first to implement Section 220 ILCS 5/16-111.5B. This section expands the level of investment that Illinois electric utilities may make in cost-effective energy efficiency resources, beyond the level that is permissible under 220 ILCS 5/8-103, which arbitrarily caps energy efficiency budgets even when deeper investment in energy efficiency to achieve higher levels of savings would ultimately lower electricity costs for Illinois consumers. The expansion of efficiency investment under 16-111.5B is limited to customer classes that have not been declared competitive. The goal is to capture the full cost-effective potential for electricity savings in this segment of the market, as evidenced by the language conditioning Illinois Commerce Commission (ICC) approval of the IPA plan on a finding that “the Commission determines they fully capture the potential for all achievable cost-effective savings, to the extent practicable, and otherwise satisfy the requirements of Section 8-103 of this Act.”¹

NRDC concurs with the IPA’s summary of its role under section 16-111.5B, that it is to receive annual assessments from the utilities estimating the amount of additional incremental savings each can achieve cost-effectively, and must then, “‘include’ for Commission approval all energy efficiency programs with a TRC (total resource cost test) score above 1.”² In this filing, we have no reason to believe that there are any major flaws in either Ameren’s or ComEd’s execution of the TRC test, and

¹ 220 ILCS 5/16-111.5B(a)(5).

² Draft plan on p. 57, citing 220 ILCS 5/16-111.5B(b) which defines cost-effectiveness for the purpose of this section as having passed the Total Resource Cost Test (TRC).

we support the IPA's recommendation that the ICC approve the new and expanded programs as contained in the utility assessments.

It should be noted, however, that the Commission does have the obligation to ensure that the utility assessments reflect the full cost-effective potential for energy savings. We expect that in order to fulfill this obligation it may be necessary for the Commission to review the assumptions and methodologies used by the utilities to ensure that they have assessed each potential program appropriately.

On page 58 of the Draft Plan, the IPA leaves three very important issues raised by Ameren Illinois for the ICC to resolve. We comment on each of these issues below.

1. **“To the extent any new or expanded energy efficiency programs are recommended by the IPA for inclusion in the Procurement Plan, AIC expects that any resulting savings from such programs count towards its 8-103(f) savings goals.”**

Contrary to this “expectation,” the Commission should clarify that the incremental savings achieved under section 16-111.5B will not count against the savings requirements of section 8-103. The clear intent of section 16-111.5B is to spur investment that will achieve incremental savings over and above the savings achieved under section 8-103. In fact, the statutory savings target in section 8-103(f) was adjusted downward substantially by the Commission in Docket 10-0568 to comply with budget limits. Section 16-111.5B allows for additional investment in order to achieve additional cost-effective savings that could not be achieved otherwise. If the Commission allows Ameren to count the savings achieved under section 16-111.5B to meet the targets set out in 8-103, the utility could either under-perform on or ramp down its other (8-103) programs, allowing its commitments under section 16-111.5B to partially or even fully compensate (i.e. total savings could potentially not increase at all). In either case, the legislative objective of maximizing cost-effective energy savings will not have been achieved.

Indeed, there is language in Ameren Illinois's assessment that appears to concur that the goal is to increase the total savings. For example, on page 37 of Ameren Illinois's Load Forecast document, Table 3 clearly indicates that the total savings goal for program year 6 would be the sum of the 8-103 goal of 216,495 MWH (for the customer classes not declared competitive) and the 16-111.5B goal of 70,834 MWH. Therefore, it is unclear what Ameren really means when it asserts an “expectation” that its savings under 16-111.5B will count against its 8-103 targets.

One possible interpretation of Ameren's position is that they “expect” that the Commission will treat the new goal as having simply increased their existing portfolio

goal for the relevant customer classes by 70,834, such that there would be a new combined goal of 287,329 MWH. If this is the correct interpretation, this too is very problematic, at least for the coming year. Ameren Illinois is on track to exceed its current savings requirements under 8-103 (as revised downward in Docket 10-0568) within the 8-103 budget limitations and there is no reason to suspect that this will not also be the case in program year 5 and 6, particularly since the goals as revised decline over time between program year 4 and program year 6. The company is to be commended for exceeding its minimum savings requirement, but it should not be allowed to essentially combine the 8-103 target with the 16-111.5B goal such that the excess savings achieved under the current budget will simply reduce the amount of savings needed to hit the combined target.

Ameren's and Commonwealth Edison now essentially have three groups of programs:

1. Programs that are solely implemented to meet 8-103 obligations;
2. Programs that are implemented to meet both 8-103 and 16.111.5B obligations (i.e. the expanded programs);
3. Programs that are solely implemented to meet 16.111.5B obligations (i.e. new programs).

Savings achieved under the first and third of these categories can and should be allocated solely to their respective savings targets. The savings achieved by the expanded programs in the second category should be allocated first to the 16.111.5B obligations. Any remaining savings should then count towards the 8-103 obligations.

With that said, next year's plan filing will coincide with the three-year plans that both electric utilities will file under 8-103 for program years seven through nine. At that point, the utility can propose a more integrated plan for achieving the objectives of both sections of the statute and the problems associated with combining goals and budgets will have been eliminated through the combined planning process.

2. **“Any additional funds needed to acquire the approved additional MWh savings in Section 16-111.5B will be added to the existing Section 8-103 budget and operate on a functional level as a single budget.”**

We agree that for the purpose of day to day program management, the funds needed to fulfill the obligations under 16-111.5B will be combined with the 8-103 budgets. However, for the reasons described above, it is important to account for the savings separately.

3. "The independent evaluators who assess the achieved savings may perform a single assessment of the combined programs."

We agree that for some programs it would be difficult or impossible for an evaluator to discern what savings resulted from the program as it existed before the expansion, versus the savings that was achieved as a result of the expansion authorized under section 16-111.5B. However, where it is possible, it would be useful for the evaluators to distinguish the "new" or "expanded" savings. For example, ComEd is proposing to modify its existing Small Business Portfolio by adding an element addressing lighting in multi-family building common areas. This new element should be easy to evaluate separate from the existing small commercial programs.

Conclusion: NRDC concurs with the IPA recommendation that the new and expanded energy efficiency programs included in the utility assessments should be approved by the ICC, and support the comments made by the Environmental Law and Policy Center as well as Wind on the Wires regarding procurement of renewable energy. Finally, while we seek no changes to the IPA draft plan before it is sent to the ICC, we urge the ICC to carefully consider the issues raised by Ameren, as articulated on page 58 of the Draft Plan, and to provide clear guidance that ensures that the new and expanded programs offered pursuant to section 16-111.5B will provide additional incremental savings as clearly intended by the General Assembly when this section was adopted.



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