

STATE OF ILLINOIS



**ILLINOIS COMMERCE COMMISSION**

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**TO:** All Interested Parties

**FROM:** Jennifer Hinman, ICC Staff  
Thomas Kennedy, ICC Staff

**SUBJECT:** Workshops on Section 16-111.5B Energy Efficiency Programs  
Required by the Illinois Commerce Commission's Final Order in Docket  
No. 12-0544

**DATE:** March 27, 2013

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In its December 19, 2012 Final Order in ICC Docket No. 12-0544 ("2013 Procurement Order"), the Illinois Commerce Commission ("Commission" or "ICC") directed ICC Staff to work with the Illinois Power Agency ("IPA") to conduct a series of workshops regarding the Section 16-111.5B energy efficiency programs "to determine if there are additional changes or refinements to consider with regard to such requests, suggestions, or recommendations in future procurement proceedings."<sup>1</sup> ICC Staff is announcing a public workshop to address Section 16-111.5B issues.

Thursday, April 11, 2013, 9:30 AM – 4:30 PM  
ICC, 527 East Capitol Avenue, Springfield, IL 62701  
Hearing Room A, 1st floor, Illinois Commerce Commission  
Conference Line # 1.866.418.3591, passcode 7951625#

ICC Staff requested input from interested parties regarding Section 16-111.5B issues that should be considered in the workshop process. Comments were received from Ameren Illinois Company ("AIC"), Applied Energy Group ("AEG"), Commonwealth Edison Company ("ComEd"), the IPA, and a joint submission from the Citizens Utility Board, the Environmental Law and Policy Center, the Natural Resources Defense Council, and the People of the State of Illinois ("CUB/ELPC/NRDC/AG"). All comments are available at <http://www.icc.illinois.gov/Electricity/EnergyEfficiencyWorkshops161115B.aspx>.

Preliminary agenda topics and a compilation of the parties' comments on those topics follow.

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<sup>1</sup> The 2013 Procurement Order states:

It appears to the Commission that no further findings or conclusions regarding energy efficiency programs under Section 16-111.5B of the PUA are required in this proceeding. Because this is the first procurement proceeding to consider the Section 16-111.5B energy efficiency programs, and considering the lack of agreement on other requests, suggestions or recommendations -- for which determinations are not required by statute -- the Commission declines to render a decision or require modifications to the Procurement Plan with respect to these matters. However, in light of the fact that several parties have raised or otherwise addressed additional requests, suggestions, or recommendations regarding the Section 16-111.5B energy efficiency programs that warrant further attention, the Commission directs Staff to work with the IPA to conduct a series of workshops -- if the IPA is agreeable to doing so -- to determine if there are additional changes or refinements to consider with regard to such requests, suggestions, or recommendations in future procurement proceedings. *2013 Procurement Order* at 271.

Workshops on Section 16-111.5B Energy Efficiency

PRELIMINARY Agenda

Thursday, April 11, 2013

9:30 AM – 4:30 PM

ICC, 527 East Capitol Avenue, Springfield, IL 62701

Hearing Room A, 1<sup>st</sup> floor, Illinois Commerce Commission

Conference Line # 1.866.418.3591 passcode 7951625#

<b>Time</b>	<b>Topics</b>
9:30 AM	Welcome and Introductions, Overview of Agenda Goal of Workshops – Parties' Expectations
10:15 AM	Sections 16-111.5B and 8-103 Overlap and Coordination ·Accountability, Evaluation, and the IL-TRM ·Goals ·Flexibility
12:15 PM	Lunch (On Your Own)
1:00 PM	Cost-Effectiveness
3:15 PM	RFP Process and Timing
4:00 PM	Next Steps – Review of Consensus Items (if any)

## GOAL OF WORKSHOPS

#	Section 16-111.5B Issue – Goal of Workshops
1	<b>IPA:</b> Outcome of workshop process-The Final Order in Docket No. 12-0544 stated, “The Commission directs Staff to work with the IPA to conduct a series of workshops – if the IPA is agreeable to doing so -- to determine if there are additional changes or refinements to consider with regard to such requests, suggestions, or recommendations in future procurement proceedings.” It is not clear to the IPA what the intended outcome of the workshops is meant to be. There is no explicit direction for a Staff Report back to the Commission, or of an expectation of action or response by either the IPA or the utilities at the conclusion of the workshop. The IPA would like to make it clear that per the Order, the IPA is agreeable to these workshops, but it would like to request that at the outset there be discussion of various parties’ expectations as to what the outcome(s) and expectations will, or will not, be.

## SECTIONS 8-103 AND 16-111.5B OVERLAP AND COORDINATION

#	Section 16-111.5B Issue – Overlap and Coordination
2	<b>IPA:</b> IPA plan development process and alignment with the EEPS planning process-The IPA understands that the development of its proposed 2014 procurement plan will happen on a timeline overlapping that of the development of the next three-year cycle of EEPS plans, and that the approval by the Commission of both sets of plans will happen at roughly the same time. Therefore the IPA is interested in what formal or informal processes can be undertaken to aid in the alignment of the development and content of the proposals contained in each plan.
3	<b>IPA:</b> Use of statewide TRM for 16-111.5B Programs-The statewide Technical Reference Manual was developed for the EEPS programs as a common set of protocols. Should the TRM be used in the development of the Section 16-111.5B program proposals, or are there compelling reasons why the methodologies should differ between EEPS programs and Section 16.111.5B programs?
4	<b>IPA:</b> Impact on EEPS goals/revisions to load forecasts-With the development of a new set of EEPS plans, the utilities will have updated forecasts of the kWh goals and the impact of the rate caps for the EEPS. Given the additional energy efficiency that could be procured under Section 16-111.5B, how will the goals of the EEPS impact the load forecasts used by the IPA in its procurement planning, and furthermore, will the energy efficiency procured under Section 16-111.5B impact the kWh goals and the cost cap for the EEPS.
5	<b>ComEd:</b> Goals-Stacking: When a program expansion is proposed that results in energy savings under both the 8-103 portfolio and the 16-111.5B, what is the appropriate method of allocating savings? ComEd position – the 8-103 goal contribution must be satisfied first, after which savings may be applied toward 16-111.5B. Any savings beyond both goals would revert to 8-103 and be bankable kWh
8	<b>AEG:</b> “What is the impact that this may have on the gas utilities working with electric utilities on joint programs?” One area of concern is the impact on the gas utility of a large increase in electric goals for a joint program. While I think there may be ways to work through this, I do think it needs to be discussed. Impacts could be incentive, delivery, and administrative.
9	<b>CUB/ELPC/NRDC/AG:</b> How should programs procured through the IPA procurement of energy efficiency relate to the Energy Efficiency Portfolio Standard (EEPS) programs? For example, should the IPA procurement process, which must buy all "cost-effective energy efficiency," nonetheless be viewed as chance to experiment with different programs, or reach populations currently under-served by the EEPS programs?

#	Section 16-111.5B Issue – Overlap and Coordination
12	<p><b>CUB/ELPC/NRDC/AG:</b> Are energy efficiency programs procured through the IPA evaluated/measured/verified differently than those procured through the EEPS? Should the IPA process base its assessment of cost-effectiveness and ultimate savings upon the methodology/values described in the Illinois TRM?</p>
15	<p><b>AIC:</b> Interpreting and potentially reconciling the requirements necessary to coordinate and manage the attainment of the energy efficiency goals contained in the Public Utilities Act (“the PUA”) with those contained in the Illinois Power Agency Act (“the IPA Act”).</p> <p>Ameren Illinois recognizes that it may be difficult in a workshop setting to resolve conflicting legal interpretations or perceived inconsistencies in separate sections of legislation, but nonetheless believes that parties may benefit from continued dialogue on the subject. As a matter of statutory construction, statutes are to be harmonized to the extent practicable. With this principle in mind, there appears to be two avenues by which to broach any “common goal” discussion:</p> <p>(1) View all utility energy efficiency offerings as part of single portfolio, subject to a single goal and coordinated by a single set of harmonized standards rooted in both the PUA and IPA Act; or,</p> <p>(2) Subject utility energy efficiency programs to differing sets of standards - one based on the PUA and the other based on the IPA Act.</p> <p>Ameren Illinois believes that a harmonized, single-goal and standards approach would provide the following advantages:</p> <p>(1) Efficiencies and flexibility in utility energy efficiency portfolio offerings;</p> <p>(2) Evaluation, measurement and verification (“EMV”) on a combined budget and EMV work plan basis; and,</p> <p>(3) The ability to offer and manage energy efficiency programs on a three-year submission and approval basis.</p> <p>Ameren Illinois believes that operating under separate sets of rules is likely to yield confusion resulting from the application of inconsistent standards, the practical result of which may be program inefficiencies and/or burdensome litigation.</p>
17	<p><b>AIC:</b> Prudency – The extent to which prudency should (or should not) be based on future changes in NTG calculations and/or provisions contained in the TRM.</p> <p>The Commission currently approves savings goals and costs for the achievement of savings under both Section 8-103 and the IPA Act programs. If treated as a single, unified portfolio, as discussed in topic number one above, certain flexibility currently applicable to the administration of Section 8-103 programs would be extended to the IPA Act programs by virtue of the unification. Ameren Illinois supports this approach and result. In addition, in respect to prudency, Ameren Illinois believes that a utility should not have to operate measures and programs at a level lower than a portfolio-level TRC. As recognized in the discussion of topic number two above, measure values are subject to unanticipated and constant change, in addition to changes in standards and market. Additional flexibility will allow the utility to adjust savings and costs between measures and programs to achieve savings goals on a unified portfolio basis.</p>

## COST-EFFECTIVENESS

#	Section 16-111.5B Issue - Cost-Effectiveness
3	<b>IPA:</b> Use of statewide TRM for 16-111.5B Programs-The statewide Technical Reference Manual was developed for the EEPS programs as a common set of protocols. Should the TRM be used in the development of the Section 16-111.5B program proposals, or are there compelling reasons why the methodologies should differ between EEPS programs and Section 16.111.5B programs?
7	<b>ComEd:</b> One of the requirements of the utility’s energy efficiency submittals under 16-111.5B is to provide an “Analysis showing that the new or expanded cost-effective energy efficiency programs or measures would lead to a reduction in the overall cost of electric service.” ComEd used a Utility Cost Test, with a discount rate of 0% (at the advice of NRDC’s consultant). Ameren used a different test (the Ratepayer Impact Measure). In the interest of uniformity, which test should be used? ComEd position – the Utility Cost Test reflects the impact of EE on customer bills, while the Ratepayer Impact Measure test reflects the impact of EE on rates. ComEd believes that the current utility Weighted Average Cost of Capital should be used instead of the 0% discount rate.
9	<b>CUB/ELPC/NRDC/AG:</b> How should programs procured through the IPA procurement of energy efficiency relate to the Energy Efficiency Portfolio Standard (EEPS) programs? For example, should the IPA procurement process, which must buy all "cost-effective energy efficiency," nonetheless be viewed as chance to experiment with different programs, or reach populations currently under-served by the EEPS programs?
10	<b>CUB/ELPC/NRDC/AG:</b> How should cost-effectiveness be evaluated for IPA programs? Though the statute requires that all programs considered by the IPA include an analysis of how the cost of procuring the additional cost-effective EE compares over the life of the measure to the prevailing cost of comparable supply, it seems that the IPA and utilities both assessed cost-effectiveness only for the individual procurement year.
12	<b>CUB/ELPC/NRDC/AG:</b> Are energy efficiency programs procured through the IPA evaluated/measured/verified differently than those procured through the EEPS? Should the IPA process base its assessment of cost-effectiveness and ultimate savings upon the methodology/values described in the Illinois TRM?
14	<b>CUB/ELPC/NRDC/AG:</b> When applying the TRC, how should we recognize ALL of the quantifiable benefits are included, such as DRIPE, avoided T&D, a non-energy benefits adder, etc.?
16	<b>AIC:</b> Issues related to timing and accountability As a practical matter, measure values change between the time of submission, approval and implementation. When AIC submit its IPA assessment in July each year, it assumes prevailing values per the current Technical Resource Manual (“TRM”) and EMV standards. However, by the time the Company implements the related programs the following June (about a year later), it is operating under revised TRM and EMV standards, thereby exposing the Company to a situation in which resulting savings could be substantially different from the anticipated (and previously calculated) savings submitted the previous year. This situation creates difficulty in designing, implementing and reviewing energy efficiency programs and measures. As a concrete example, AIC modeled its lighting program with a 0.58 net-to-gross (“NTG”) factor [Which was already lower than the current AIC NTG of 0.83, yet mimicked the most recent ComEd NTG.], yet recently received a revised 0.44 NTG factor that will now be applied to the same program for the same year. As a result, the approved and ordered savings have declined significantly. For this reason, AIC would prefer, and strongly suggests the following: (1) The ability to adjust the goals prior to implementation (remembering that fact that the program will ultimately be evaluated based on these adjusted savings values); (2) Flexibility to shift funds and savings goals between programs to adjust them per the values and the market; and, (3) The ability to remove programs that no longer pass the Total Resource Cost (“TRC”) test (and to remove

#	Section 16-111.5B Issue - Cost-Effectiveness
	those savings from the goal).
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## RFP PROCESS AND TIMING

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6	<p><b>ComEd:</b> Third Party obligations: Per statute, an annual solicitation must be conducted for third-party programs that can provide energy savings. Given the timing of the IPA process, however, this solicitation must be made 15-18 months prior to the effective delivery year. Moreover, contracts cannot be executed until the ICC approves the plan and the associated EE programs; this approval is 8-11 months after the solicitation. The likelihood exists that a third party entity may find itself unable to fulfill its proposal due to changing economic climate, bankruptcy, etc. How should this be dealt with in the context of the IPA EE goals and affected supply requirements?</p> <p>ComEd position – assuming the current scheduling constraints cannot be removed, changes to program positions should be reflected via a compliance filing to ICC, with copy to IPA.</p>
11	<p><b>CUB/ELPC/NRDC/AG:</b> How should the IPA procure multiple years of energy efficiency, even if procurement events are limited to annual events?</p>
13	<p><b>CUB/ELPC/NRDC/AG:</b> What barriers does the IPA procurement process have, for example, are the indemnification/risk elements of the RFP that are viewed as being too severe and risky? Is there any concern on the part of bidders about cost recovery and the time between the work being performed and payment received?</p>

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