

DIRECT TESTIMONY

OF

AGNES MROZOWSKI

ILLINOIS ENERGY OFFICE

ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY

RESPONSE TO DIRECT TESTIMONY OF PHILIP H. MOSENTHAL

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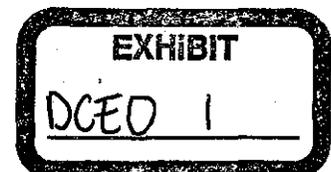
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Witness Mrozowski

Date 4/16/13 reporter CHS



Contents

INTRODUCTION..... 3

CONCLUSION.....11

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Agnes Mrozowski and my business address is 500 East Monroe,  
4 Springfield, IL 62701.

5  
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by the Illinois Department of Commerce and Economic  
8 Opportunity (DCEO) as the Acting Deputy Director for the Illinois Energy Office.

9  
10 **Q. Please describe briefly your educational background and work experience.**

11 A. I hold a Bachelor's of Arts in Communication, from the University of Illinois-  
12 Springfield, Illinois.

13  
14 I began working at DCEO in November 2009 as the Assistant Deputy Director. I  
15 became the Acting Deputy Director in July, 2012. At DCEO, I am responsible  
16 for preparing and implementing policy for the Energy Office, planning and  
17 directing new programs, supervising staff, and overseeing the State Energy  
18 Office's approximately \$100 million annual budget.

19  
20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to respond to the Direct Testimony of Philip H.  
22 Mosenthal.

23

24 **DCEO GOALS**

25 Q. Do you agree with the statement that "DCEO has signed up for and filed  
26 goals that may in fact not be achievable, and that certainly have not been  
27 achieved by a wide margin"?

28

29 A. Generally, I agree with that statement in reference to the kilowatt-hour savings  
30 goals that DCEO contained in its first three-year plan filed with the Illinois  
31 Commerce Commission. Given the short time frame for preparing the first three-  
32 year plan – the legislation was signed late in August, 2007 and the plan was due  
33 by November 15, 2008 – a simplistic analysis was used to determine DCEO's  
34 goals. Essentially DCEO used the average incentive per kilowatt hour saved from  
35 the modeling conducted by ComEd and Ameren's contractor, ICF, Inc. and  
36 applied that to the DCEO portfolio budget to back into an energy savings target.  
37 This target did not take into account the size of the market segments that DCEO  
38 was serving – public sector and low income – nor the unique challenges of those  
39 markets. In each of the first three years DCEO energy savings fell short of the  
40 kilowatt-hour targets in its plan.

41

42 While DCEO did not achieve the kilowatt-hour reductions goals it contained in its  
43 first plan, DCEO did meet the standards in subsection (b) of 220 ILCS 5/8-103 of

44 the Public Utilities Act, which are the annual load reduction goals of 0.2%, 0.4%,  
45 and 0.6% in the first three years respectively.

46

47 **Q. What did DCEO do in response to the shortfall in meeting the goals in its**  
48 **first three-year plan?**

49

50 A. The evaluation, measurement and verification (EM&V) results showed that  
51 DCEO had not met the kilowatt-hour goal in Program Year 1. DCEO responded  
52 by preparing a revised plan and presented it to its utility partners, ComEd and  
53 Ameren, and the Stakeholder Advisory Group for feedback. Due to the long  
54 timelines involved in the EM&V and SAG review process, the plan changes were  
55 implemented in Program Year 3, rather than Year 2. The report entitled  
56 "Proposed Changes to DCEO's Energy Efficiency Portfolio" was finalized June  
57 23, 2010. It included a range of recommendations that were implemented in  
58 Program Years 3 and 4. In addition, in the second three-year plan filed with the  
59 utility plans, DCEO revised downward its share of the annual electricity load  
60 reduction goal from approximately 20 percent to about 15 percent of the total  
61 utility/DCEO goal.

62

63 **Q. Do you agree that DCEO and the utilities should be filing revised plans**  
64 **annually if goals are not met?**

65 A. No. This is not practical. Evaluation results that document any potential shortfall  
66 in meeting goals are not available until well into the following program year, so

67 any revised plan could not go into effect until the year after. In the meantime, the  
68 planning process for the next three-year plan is underway. The new three-year  
69 plan would include additional strategies to meet the annual load reduction goals.  
70 Therefore, between filings of the three-year plans, it is possible to develop one  
71 revised plan, as DCEO did during its first three-year plan period.

72

73 **Q. What were some of the findings in the report "Proposed Changes to DCEO's**  
74 **Energy Efficiency Portfolio"?**

75 **A.** The report identified several challenges in meeting the kilowatt-hour savings  
76 goals:

- 77 • Local governments, schools, and other public entities require a much larger  
78 incentive than the incentives provided by the utilities for business customers, even  
79 in good economic times.
- 80 • The downturn in the economy has worsened the fiscal situation for most public  
81 entities, making it even more difficult for them to find funds to match DCEO's  
82 incentives.
- 83 • Many applicants, in the first program year in particular, cancelled or delayed  
84 projects, generally for fiscal or logistical reasons. The City of Chicago, for  
85 example, proposed projects that would have achieved 42 million kWh's of  
86 savings, but actually only completed projects that saved 10 million kWh's.
- 87 • The smaller size of the markets served by DCEO – the public sector uses 7% of  
88 electricity statewide and low income households use 6% – makes it difficult to

- 89 meet the goals in the plan. For example, to meet the third-year goal in DCEO's  
90 first three-year plan, the public sector would have had to reduce its energy use by  
91 1.7%, nearly triple the statewide load reduction goal of 0.6%.
- 92 • Many of the 52 cities and 10 counties in Illinois that received direct American  
93 Recovery and Reinvestment Act funds from U.S. Department of Energy  
94 frequently chose to use those funds to pay for 100% of energy efficiency project  
95 costs from federal funds rather than leverage DCEO's EEP incentives, which only  
96 paid for part of costs.
  - 97 • Existing arrangements between utilities and local governments often undermine  
98 interest in energy efficiency. Under franchise agreements between local  
99 governments in northern Illinois and ComEd, most municipalities do not pay for  
100 much of the electricity they use and, therefore, have very little direct incentive to  
101 reduce their energy use. In downstate Illinois, many street lights are owned by  
102 Ameren, thus excluding a natural market for DCEO's public sector programs.
  - 103 • Low income programs generally require paying the entire measure cost, or at least  
104 the entire incremental cost, unlike other programs; therefore, the costs per  
105 quantity of energy saved are higher than in other DCEO or utility programs.
  - 106 • The independent evaluator slashed the gross energy savings achieved by DCEO's  
107 programs in several ways that DCEO does not agree with. I will mention two  
108 here. First, the evaluator concluded that 28-38% (in Program Year 1, depending  
109 on the program) of DCEO's public sector clients were "free riders"; meaning  
110 those clients would have implemented the projects without the program. Free

111 ridership is a concept that DCEO feels is not proper to apply in the public sector,  
112 given the complexities of public taxation, capital planning, etc. Second, the  
113 evaluator also reduced the realization rate for DCEO's public sector savings based  
114 on rules of thumb that were contradicted by metered data.

115

116 **Q. What actions did DCEO pursue following the revised plan and second three-**  
117 **year plan to better the chances of attaining the energy savings goals in its**  
118 **plans?**

119 **A.** Some of the actions DCEO took in years three and four include:

- 120 • Expanded its Public Housing Authority and Public Sector Retro-commissioning  
121 pilot programs into full-scale programs. These two programs now achieve about  
122 10% of DCEO's annual savings.
- 123 • Created and developed a brand to assist in marketing efforts, comparable to  
124 ActOnEnergy or SmartIdeas -- IllinoisEnergyNow.
- 125 • Developed a Trade Ally program with assistance from the Energy Resources  
126 Center and Smart Energy Design Assistance Center, with regular communication  
127 and education of DCEO trade allies through webinars, newsletters, and  
128 workshops.
- 129 • More fully integrated Energy Performance Contracting and other innovative  
130 financing mechanisms into Public Sector and Public Housing programs.
- 131 • Designed the ARRA programs under its control to "supplement rather than  
132 supplant" EEP funds.

- 133 • Conducted targeted promotions to pursue particular measures or sectors or  
134 encourage early completion of projects.
- 135 • Began efforts to claim savings from market transformation programs, including  
136 Building Operator Certification, Building Codes Training Program, and Smart  
137 Energy Design Assistance.
- 138 • Provided more project "implementation assistance" and created a new Public  
139 Sector Aggregation Program to assist public entities in identifying projects and  
140 applying for incentives.
- 141 • Expanded Illinois Energy Office staff dedicated to EEP programs.
- 142 • Developed a more functional database to support project tracking, monitoring,  
143 accounting and evaluation.

144

145 **Q. Do you agree that the "utilities and DCEO should be obligated to analyze**  
146 **what is reasonably achievable and support any goal allocation with evidence**  
147 **to support it"?**

148 **A.** Yes. Mosenthal mentions several factors that should be used to determine an  
149 appropriate share of savings. These include: 1) historical performance, 2) the  
150 actual loads of the customer segments served, and 3) participation barriers faced  
151 by these segments. DCEO agrees that these are all critical factors in determining  
152 reasonable goals. DCEO plans to consider all of them when developing its new  
153 three-year plan during the next year.

154

155 Q. Do you agree that one possible option for ensuring achievable goals is to  
156 "simply apply the same statutory percent of load savings goals to both the  
157 utilities and DCEO"?

158 A. This is a possible option for DCEO's public sector programs. During the period  
159 of DCEO's first three-year plan, DCEO was able to exceed the percent of load  
160 reduction goals in the public sector in all three years. However, DCEO's first  
161 three-year plan, for the reasons discussed above, called for public sector load  
162 reductions nearly triple the statutory goals. DCEO adjusted its goals in the second  
163 three-year plan to be more reasonable, but they are still at least 50% greater than  
164 the load reduction goals in the law and in the utility plans. Evaluation results are  
165 not yet available to know whether the goal was able to be achieved in Program  
166 Year 4. DCEO recommends exploring this option with utilities when developing  
167 its third three-year plan. This will require working with the utilities to determine  
168 as well as possible the amount of kilowatt-hours (and therms) attributable to the  
169 public sector.

170

171 This option is not workable for DCEO's low income programs. Low income  
172 programs are not required to pass the Total Resource Cost (TRC) test and  
173 generally are more expensive than other residential and commercial programs.  
174 Low income programs must pay the entire measure costs rather than offer a  
175 partial subsidy of the costs. Therefore, the annual percentage reduction in energy  
176 use in low income households will never exceed the load reduction goal.

177

178

179 Q. Do you agree that it "may be more appropriate for the Commission to open a  
180 separate proceeding that all parties can provide testimony in to resolve these  
181 DCEO/utility savings goals apportionment and roles and oversight issues"?

182 A. No. That is unnecessary. DCEO and the utilities can address these issues during  
183 the development of their next three-year plans.

184

185 **CONCLUSION**

186 Q. Please briefly describe the attachments to your testimony.

187 A. DCEO has included with this testimony the revised plan, "Proposed Changes to  
188 DCEO's Energy Efficiency Portfolio" which was finalized and presented to  
189 Stakeholders on June 23, 2010. It includes a range of recommendations that were  
190 implemented in Program Years 3 and 4.

191

192 Q. Please summarize your testimony.

193 This testimony is in response to direct testimony provided by Philip H. Mosenthal  
194 as part of docket 11-0593. DCEO has addressed several of the key points raised  
195 by Mosenthal, particularly in respect to DCEO achieving its energy savings  
196 targets. DCEO addressed many challenges which were encountered in Program  
197 Year 1 in its revised plan. This revised plan was presented to Stakeholders and  
198 implemented in Program Year 3. DCEO will continue to work with the utilities

199 to address these key issues during the coming year as DCEO and the Electric and  
200 Natural Gas utilities develop their next three year plans.

201

202 Q. Does this conclude your testimony?

203 A. Yes.