

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company)
d/b/a Nicor Gas Company)
)
)
Petition Pursuant to Section 8-104 of the)
Public Utilities Act to Submit an Energy)
Efficiency Plan.)

Docket No. 13-0549

DIRECT TESTIMONY OF REBECCA DEVENS

ON BEHALF OF

THE CITIZENS UTILITY BOARD

CUB Exhibit 1.0

January 21, 2013

1 **Introduction**

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

3 A. My name is Rebecca Devens. My business address is 309 W. Washington, Suite 800,
4 Chicago, IL 60606.

5
6 **Q. What is your present occupation?**

7 A. I am a Policy Analyst for the Citizens Utility Board (“CUB”), where I have been
8 employed since 2008.

9
10 **Q. Please summarize your role at CUB.**

11 A. I research and evaluate state and federal legislative and regulatory proposals relating to
12 electricity, natural gas and telecommunications issues. In particular, I have focused on
13 energy efficiency, demand response and dynamic pricing. I also review the impact of
14 legislative and regulatory proposals on Illinois consumers and represent CUB at various
15 stakeholder meetings and forums, including the Illinois Commerce Commission (“ICC”
16 or “Commission”). I represent CUB in the Energy Efficiency Stakeholder Advisory
17 Group (“SAG”), the collaborative group that monitors utility implementation of statutory
18 energy efficiency and demand response programs. The SAG discusses proposals for new
19 utility programs within the Energy Efficiency Portfolio Standard (“EEPS”) framework,
20 the process for identifying new energy efficiency opportunities, and the evaluation,
21 measurement and verification (“EMV”) of energy efficiency programs.

22

23

24 **Q. Please describe your educational background.**

25 A. I graduated with honors from the University of Illinois at Urbana-Champaign with a
26 Bachelors degree in English.

27

28 **Q. Have you previously testified before the Commission?**

29 A. Yes. Please see CUB Ex. 1.1 for a list of dockets I have testified in.

30

31 **Q. On whose behalf are you testifying in this proceeding?**

32 A. I'm testifying on behalf of CUB.

33

34 **Q. What is the purpose of your testimony?**

35 A. I am making recommendations to improve the mandatory three-year Energy Efficiency
36 Portfolio Standard Plan (the "Plan") that the Northern Illinois Gas Company d/b/a Nicor
37 Gas Company ("Nicor Gas" or "Nicor") is required to file for Commission approval
38 pursuant to the Public Utilities Act ("PUA" or "the Act"). 220 ILCS 5/8-104. The
39 Commission must find that the Plan meets the statutory requirements for achieving
40 statutory energy goals for program years 4-6 ("PYs 4-6"). In particular, I recommend
41 that the Commission:

- 42 • Reject NS-PGL's proposal for an adjustable savings goal;
- 43 • Reject NS-PGL's proposal to use reduced Net to Gross ("NTG") ratios; and
- 44 • Require Nicor to clarify which measures or programs will be eligible for On-Bill
45 Financing during the Plan period.

46

47 **Q. What documents have you reviewed in preparing your testimony?**

48 A. I reviewed the Plan, the Petition, Company direct testimony and supporting exhibits, and
49 the discovery responses provided by the Companies in response to various parties in this
50 proceeding.

51

52 **Q. Please describe the statutory requirements for Nicor's filing.**

53 A. The Act requires Nicor to meet increasing savings targets through the implementation of
54 cost-effective energy efficiency programs. 220 ILCS 5/8-103(a-b). In PY 4, Nicor must
55 achieve savings equal to 0.8% of the energy the Companies deliver, for total savings of
56 2%; in PY 5 the target is 1% for an increase in total savings of 3%, and in PY 6 the
57 annual target is 1.2% for an increase in total savings of 4.2%. 220 ILCS 5/8-104(c). The
58 Department of Commerce and Economic Opportunity ("DCEO") is responsible for
59 implementing programs for public sector and low-income customers with 25% of the
60 funding collected from ratepayers. 220 ILCS 5/8-104(e). The PUA includes a "spending
61 screen" which permits the Company to reduce the amount of energy efficiency
62 implemented per three year plan filing to limit annual increases in customer bills to no
63 more than 2%. 220 ILCS 5/8-104(d). Finally, in order to gain Commission approval of
64 their Plan, the Company must demonstrate that the portfolio is cost-effective, as
65 measured by a Total Resource Cost test, and represents a diverse cross section of
66 opportunities for customers of all rate classes to participate in the programs. 220 ILCS
67 5/8-104(f).

68

69

70 **Q. What are the proposed savings goals?**

71 A. Nicor did modify the statutory goals based on the 2% spending screen discussed above,
72 and now proposes the following budgets and therm savings:

- 73 • A budget of \$31,019,000 in PY 4 with therm savings of 26,372,000;
- 74 • A budget of \$31,019,000 in PY 5 with therm savings of 32,965,000; and
- 75 • A budget of \$31,019,000 in PY 6 with therm savings of 39,558,000.

76 The total Plan budget is \$93,057,000 and estimated therm savings are 98,895,000 over
77 the three Plan years. Nicor Ex. 5.1 at 2.

78

79 **ADJUSTABLE SAVINGS GOAL**

80 **Q. What is Nicor Gas's proposal for an Adjustable Savings Goal?**

81 A. Nicor Gas proposes that the Commission approve its annual goals but also allow Nicor to
82 adjust those approved goals in each Plan year in response to changes in Net to Gross
83 ("NTG") and Technical Reference Manual ("TRM") values. Nicor Ex. 1.0 at 31.

84

85 **Q. What are Net to Gross values?**

86 A. NTG values are estimates of the amount of savings directly attributable to a specific
87 energy efficiency measure or program, or in other words, savings that would not have
88 occurred in the absence of a program. To calculate NTG estimates, evaluators may take
89 into account three categories of customers:

- 90 1) Customers who participated in a program because of an incentive being offered.
- 91 2) Customers who would have taken an action regardless of whether an incentive
92 was offered. These customers are referred to as "free riders."

93 3) Customers who took an action such as purchasing a high efficiency clothes
94 washer as the result of an efficiency program, but without participating in the
95 program (i.e., receiving an incentive). These customers are referred to as
96 “spillover.”

97 In employing a NTG approach, evaluators seek to count savings from the first class of
98 customers, who invested in an energy efficient upgrade specifically because of the
99 existence of an incentive program. Depending on the type of NTG approach employed,
100 evaluators may or may not subtract “free rider” customers from the savings calculation,
101 and they may or may not add “spillover” estimates to the savings calculation. The end
102 result is an estimate of how many therms or kilowatt hours are attributable to the
103 program, expressed as a NTG ratio.

104

105 **Q. What is the Technical Reference Manual?**

106 A. The TRM is a document created by the Stakeholder Advisory Group (“SAG”) to provide
107 a transparent and consistent basis for calculating energy savings generated by EEPS
108 programs. It is updated annually. It includes estimated measure and program savings
109 values and other inputs that are used by evaluators to determine program and measure
110 savings. Changes to the TRM could mean evaluators will use different values or
111 assumptions than Nicor did in putting its Plan together to evaluate Plan programs and
112 measures after each Program Year.

113

114

115

116 **Q. Do changes in the TRM or in NTG values impact goal achievement?**

117 A. Changes to the TRM or NTG values impact the amount of savings Nicor can claim to
118 have achieved. A change in the TRM or in NTG values can positively or negatively
119 impact savings achievement – it just depends on what the specific change was. The TRM
120 and NTG values represent the most accurate information available about how many
121 therm savings measure or programs are creating. When TRM or NTG values change, it
122 should spur the Company to look at the portfolio and reevaluate spending. TRM and
123 NTG changes may mean that a program is performing better or generating more savings
124 than anticipated, or it may mean that a program isn't performing as well as anticipated or
125 generating the savings expected. When Nicor Gas receives information about changes in
126 the TRM or NTG, the Company should evaluate the existing portfolio to determine
127 whether changes are needed.

128

129 **Q. What would be the impact of Nicor's proposal for an Adjustable Savings Goal?**

130 A. The impact would be that Nicor Gas would no longer be responsible to respond to
131 changes in the market to improve programs. Nicor would instead simply lower or raise
132 its goals as new values are put in place.

133

134 **Q. What is your recommendation related to Nicor's proposal for an Adjustable Savings
135 Goal?**

136 A. The Commission should not grant the Company an unfettered ability to lower savings
137 goals, which is what this proposal amounts to. Nicor Gas, just like any entity offering
138 goal-centered energy efficiency programs, must always respond prudently to changes in

139 the market, whether that change results from federal efficiency standards, an informative
140 Evaluation, Measurement, and Verification (“EMV”) report, or a change in TRM values.
141 Nicor Gas has requested the same flexibility granted to the Company in the last plan
142 docket, and this flexibility to adjust programs and budgets in response to market changes
143 or new evaluation data adequately buffers the Company from an untoward degree of risk.
144 Nicor Gas Ex. 1.0 at 21. Under this proposal, Nicor would not have to respond to
145 changes in the market or in evaluation results to meet the savings goals that will be
146 approved by the Commission in this docket. Risk management is an inherent facet of
147 offering goal-centered energy efficiency programs. Nicor Gas is responsible for
148 maximizing energy efficiency opportunities for ratepayers, not mitigating risk and goal
149 attainment for shareholders, as the Company would face monetary penalties for failing to
150 meet the approved savings goal for three years in a row. 220 ILCS 5/8-104(i). Without
151 an adjustable savings goal, Nicor is obligated to respond prudently to changes in the
152 market, and adjust the portfolio as needed to maximize savings. Under the EEPS
153 framework, this is an appropriate and necessary obligation.

154

155 Net to Gross Risk Reduction**156 Q. What is Nicor Gas’s proposal for reduced Net to Gross ratios?**

157 A. Nicor Gas requests that the Commission approve savings goals based on a 10% reduction
158 to NTG inputs to “mitigate the downside evaluation risks posed by potential changes to
159 TRM or NTG results,” *unless* the Commission approves the Company’s
160 recommendations for adjustable savings goals and a revised NTG framework. (emphasis
161 added) Nicor Gas Ex. 1.0 at 34-35. Nicor elaborates that under this proposal, the savings

162 goals the Company proposed currently apply a “10% risk reduction adjustment factors”
163 to the NTG ratios. *Id.* at 35. This means that Nicor Gas has lowered the actual projected
164 goal achievement of 23.9 million therms to 21.5 million therms to account for Nicor’s
165 concerns about evaluation risk. *Id.*

166

167 **Q. What would be the impact of this proposal?**

168 A. If the Commission were to adopt this proposal, the Commission would be adopting a
169 modified savings goal that is lower than what the Company has stated the Company is
170 capable of achieving in order to mitigate the evaluation risk that any energy efficiency
171 provider faces. The Company would then only be required to meet a reduced goal that
172 below what the Company has stated is achievable under the spending screen.

173

174 **Q. Do you support this proposal?**

175 A. No. It appears that Nicor Gas desires to operate energy efficiency programs not only in a
176 risk-free environment, but in an environment where the Company is not obligated to
177 respond to changes in the market or new evaluation data to improve program offerings to
178 customers.

179

180 **Q. What do you recommend?**

181 A. The Commission should reject Nicor’s requests for both an “adjustable” savings goal and
182 one based on inaccurately low NTG ratios. Nicor’s requests inappropriately shelter the
183 Company from risk at the expense of ratepayers.

184

185 **ON-BILL FINANCING**

186 **Q. What is On-Bill Financing?**

187 A. On-Bill Financing (“OBF”) is a financing mechanism that enables customers to pay for
188 the cost of an energy efficient purchase through their utility bill, with no upfront payment
189 required. The General Assembly created the OBF program in 2009, and in 2013, the
190 General Assembly expanded the pool of eligible customers and measures and programs.
191 Alongside residential customers, small commercial and multifamily customers with up to
192 fifty units may now participate. 220 ILCS 5/19-140(b). Customers may now receive
193 financing on measures or programs where 1) the projected gas savings are sufficient to
194 cover the costs of implementing the measures, or 2) if the measure or programs are part
195 of a Commission-approved energy efficiency plan. 220 ILCS 5/19-140(c).

196

197 **Q. As a result of this legislative change, are all 8-104 EEPS measures eligible for**
198 **financing?**

199 A. While I am not an attorney, my understanding is that eligible OBF measures can include
200 any 8-104 measures for residential, multifamily, and small commercial customers.
201 However, there are some specific limitations on customers and the amount customers can
202 finance; for example, only multifamily customers with 50 residential units or less can
203 participate, and loan costs cannot exceed \$150,000 per customer. 220 ILCS 5/19-140(b).

204

205 **Q. How is the On-Bill Financing program funded?**

206 A. In ICC Docket No. 12-0601, the reconciliation docket for Nicor’s first program year,
207 which ran from June 1, 2011 until May 31, 2012, Nicor stated the Commission approved

208 Rider 30 - Energy Efficiency Plan Cost Recovery (“Rider 30”) for the recovery of the 8-
209 104 and OBF programs, and that Rider 30 became effective on June 1, 2011. Nicor Gas
210 Ex. 1.0 at 2 in ICC Docket No. 12-0601. Nicor further specified that Rider 30 includes
211 costs for Rider 31 – On-Bill Financing Program (“Rider 31”), and that Rider 31 allows
212 customers served under Rate 1 and Rates 4 and 74 with Meter Class A “the option to
213 apply for loans offered by a third party lender in order to facilitate the purchase and
214 installation of qualified energy efficiency measures.” *Id.* at 5. It is not clear to me from
215 Nicor’s Plan in this docket whether the Company again plans to collect funding for the
216 OBF program from Rider 30 or 31.

217

218 **Q. Please explain why it is critical that customers have access to the On-Bill Financing**
219 **Program.**

220 A. On-Bill Financing is a crucial accompaniment to Nicor Gas’ energy efficiency programs.
221 While the incentives in this Plan make it more affordable for some customers to invest in
222 energy efficient upgrades, the cost of those upgrades remains a barrier for many other
223 customers. On-Bill Financing allows customers to spread the cost of a purchase over
224 several years and essentially offset the increase on their utility bills with savings on their
225 utility bills. Together, OBF and the 8-104 energy efficiency incentives enable Illinois
226 customers to cost-effectively invest in and realize the benefits from purchasing energy
227 efficient products, and help Nicor Gas achieve the savings targets. OBF is critical to
228 Illinois consumers realizing the promise of energy efficiency. Without a financing option,
229 may low and moderate income customers may not be able to afford to invest in energy
230 efficient products, and higher income customers may not opt to.

231

232 **Q. Has Nicor Gas been offering an OBF program?**

233 A. No. Even though the OBF statute was created in 2009, to my knowledge, Nicor Gas has
234 yet to offer financing on any energy efficiency measures or programs.

235

236 **Q. What does Nicor Gas propose related to the On-Bill Financing program in this**
237 **Plan?**

238 A. Nicor Gas states that On-Bill Financing will be available to customers through the Home
239 Energy Efficiency Rebate Program. Nicor Ex. 1.1 at 30. Nicor also says that as part of
240 Customer Outreach and Partner Services the Company will “collaborate with on-bill
241 financing efforts to ensure feature of the program are available to customers.” *Id.* at 68.
242 Employees of the Marketing and Outreach Center will also be fluent regarding the
243 program. *Id.* at 71.

244

245 **Q. Are the above proposals regarding the On-Bill Financing program adequate?**

246 A. Unfortunately, no. Nicor Gas may have excellent intentions to promote and make the
247 OBF program available to customers, but that is not evidenced by the Company’s Plan. In
248 particular, it is strange that Nicor Gas only mentions that financing would be available for
249 the Home Energy Savings Program, and not other residential, small commercial, and
250 multifamily programs.

251

252

253 **Q. Are there any factors that may explain why Nicor Gas has only proposed to offer**
254 **the financing through OBF to participants in the Home Energy Savings program?**

255 A. Yes. Nicor was required to file the Plan by October 1, 2013. The new OBF law, which
256 expanded the pool of eligible customers to include small commercial and multifamily
257 customers, and the pool of eligible measures and programs to Commission-approved
258 plans, required Nicor Gas to meet the new requirements by December 31, 2013. It is
259 possible that Nicor Gas was unready to file all the updated information by the October 1,
260 2013 deadline.

261

262 **Q. What do you recommend related to the On-Bill Financing Program?**

263 A. Now that the deadline for the expanded components of the OBF program has passed,
264 Nicor should explain which measures or programs the Company believes will be eligible
265 for financing, and provide information about timelines for financing becoming available
266 for those measures and programs. Nicor should also clarify whether the program will
267 continue to be funded through Rider 30 or Rider 31. I also recommend that the
268 Commission order Nicor Gas and the other Companies to discuss how best to integrate
269 the OBF program with the statutory EEPS programs at the Stakeholder Advisory Group.

270

271 **Q. Does this conclude your direct testimony?**

272 A. Yes.